THE CAUSES OF THE PANIC OF 1893

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To B.

PREFACE

This series of books owes its existence to the generosity of Messrs. Hart, Schaffner & Marx of Chicago, who have shown a special interest in trying to draw the attention of American youth to the study of economic and commercial subjects, and to encourage the best thinking of the country to investigate the problems which vitally affect the business world of to-day. For this purpose they have delegated to the undersigned Committee the task of selecting topics, making all announcements, and awarding prizes annually for those who wish to compete.

In the year ending June 1, 1905, the following topics were assigned: —

1. The cause and extent of the recent industrial progress of Germany.
2. To what is the recent growth of American competition in the markets of Europe to be attributed?
3. The influence of industrial combinations upon the condition of the American laborer.
4. The economic advantages and disadvantages of present colonial possessions to the mother country.
5. The causes of the panic of 1893.
6. What forms of education should be advised for the elevation of wage-earners from a lower to a higher industrial status in the United States?

7. What method of education is best suited for men entering upon trade and commerce?

The present volume was awarded the first prize.

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INTRODUCTION

In approaching the problem of the causes of the crisis of 1893, it is necessary to adopt a somewhat unusual mode of procedure, owing to the fact that in November, 1890, three years previous to the crisis of 1893, a severe financial panic was felt in Great Britain, Germany, and the United States.

Such a breakdown in the financial world as that of 1890, followed by a more violent collapse during 1893, suggests a possible connection between these two events. In order, therefore, to clear the ground thoroughly before entering into a direct examination of the causes of the crisis of 1893, it is first necessary to dispose of the preliminary question as to the effect, if any, of the panic of 1890 upon the crisis of 1893. To do this properly requires the solution of a problem involving two elements: first, to discover the causes of the panic of 1890; and, second, to ascertain whether these causes were still in operation, even in a modified form, after 1890, and consequently whether they were in any way responsible for the crisis of 1893.

The working-out of the first process in this problem — the inquiry into the causes of the panic of 1890 — obviously necessitates an examination of the financial and industrial movements, both at home and abroad, which were developing during the years immediately preceding 1890, and which finally came to a head in the panic of that year.

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DURING the year 1882 there was a disastrous financial panic in France. Two years later the United States experienced a similar calamity.[1] Out of the general depression following these two events, however, there soon developed a reactionary movement which, year by year, up to 1890, grew stronger and more extensive in its influence. In taking up the first step, therefore, in the preliminary problem of the connection between the panic of 1890 and the crisis of 1893, and going backward to trace out the causes of the panic of 1890, the starting-point is found to be in the United States, where this tendency toward a revival in trade and industry first made its appearance.

Amid the widespread stagnation which followed the crisis of 1884 in the United States, there was one exceptional feature which stood out prominently and which

[1] *The Commercial and Financial Chronicle*, Financial Review of 1884.

made itself clearly evident in the fact that confidence in the value of railroad property was never lost.[1] But owing to the waging of rate wars between competing railroad lines during the two years 1884–85, and the diminution in the volume of traffic because of the depression in interior trade after the crisis of 1884, dividends on railroad stocks were reduced and in many cases passed. Consequently there was a hesitancy on the part of investors in entering into railroad undertakings of more than ordinary magnitude.[2] By the close of the year 1885,

[1] This fact appears from an examination of the quotations of some of the representative railroad stocks on the New York market before and after the crisis of 1884. (The fractional parts of the quotations are omitted.)

Stocks.	1884						1885	
	January		June		December		December	
	Low	High	Low	High	Low	High	Low	High
Atch., Top. and S. Fe.	80	80	62	73	76	78	84	86
Chesapeake and Ohio	13	15	5	10	5	6	11	13
Chicago, Burl. and Quincy	118	123	107	117	113	122	132	138
Chicago, Mil. and St. Paul	84	94	58	77	69	81	89	96
N. Y. Cent. and Hud. River	110	115	94	108	88	92	101	106
Northern Pacific	18	27	14	22	16	18	26	30

Compiled from *The Commercial and Financial Chronicle*, Financial Review of 1886, pp. 77–79.

[2] The year 1884 was marked by a demoralizing rate war, which continued through the early half of 1885, and included within its influence the trunk lines and the roads west of Chicago. It was also especially strong in the East, where the New York Central and Hudson River Railroad deliberately attempted to drive the Lake Shore out of business. As might be expected, there was a great reduction in the net earnings of the railroads on account of these conditions, and as a result capital refused to embark in railroad enterprise. During the three years 1885 to 1887 only 13,649 miles of new railroad were built, in comparison with a construction of 28,127 miles during the preceding period of three years.

however, the railroad companies had found it both practical and necessary to divide the traffic and maintain rates.[1] A tolerably certain status in railroad profits was thus assured. During the following summer, when there were indications of good crops in the face of an active foreign demand, and of an improvement in general business and especially in railroad traffic, confidence in railroad enterprise was fully restored and capital once more entered freely into railroad construction.[2]

In gathering together their forces for a new start in railroad undertakings, the efforts of capitalists were at first directed toward the reorganization of some of the old companies. The main current of enterprise, however, soon turned toward the exploitation of regions in the South, the Southwest, and the Northwest, and the construction of new mileage in these sections was actively pushed forward. The lines of the Atchison, Topeka and Sante Fé, the Missouri Pacific, the Chicago and Rock Island, and the roads leading from Chicago to the North and Northwest, were rapidly extended by companies possessing strong credit and capable of carrying their projects to completion with economy and dispatch. The total construction of new lines during the five years beginning with 1886 and ending with 1890 was over 39,000 miles or an increase of more than 30 per cent., and of this total, 19,044 miles, or almost one half, was built in the states and territories of the Northwest and Southwest.[3]

The significance of this extraordinary extension of railroad mileage in its bearing upon general industrial conditions becomes evident at a glance. Taking the country as a whole, a very moderate estimate of the cost

[1] During the latter half of 1885 the West Shore Railroad was absorbed by its rival the New York Central, and a pool was organized by the trunk lines and other companies to distribute the traffic and maintain rates.

[2] *The Commercial and Financial Chronicle*, Financial Review of 1886 p. 1.

[3] The total railroad construction during this period, and the distri-

of railroad construction, including stations, terminals, tunnels, and rolling-stock equipment, could not have been less than $20,000 per mile. The building of 39,000 miles of railroad, therefore, during the period 1886–90 called for an investment, in one way or another, of over $780,000,000, and the demand for commodities of all kinds flowing from this enormous outlay of capital soon made itself felt in all lines of production.

The iron and steel industry, which is usually considered to be a barometer of general industrial conditions, advancing step by step with the progress in railroad construction, passed through a period of unprecedented

bution of the mileage among the different states and territories may be readily seen in the following table, compiled from Poor's *Manual of Railroads:*

RAILROAD CONSTRUCTION IN THE UNITED STATES, 1886–1890.

States and Territories.	1886	1887	1888	1889	1890
New England Group ...	43	131	192	92	102
Middle Group	338	227	299	451	488
Central North Group — O., Mich., Ind., Ill., Wis.	1,288	1,784	900	911	734
South Atlantic Group — Va.,W.Va.,N. C., S. C., Ga., Fla.	847	800	1,202	1,183	1,190
Gulf and Miss. Val. Group — Ala., Miss., Tenn., Ky., La.....	319	763	1,025	851	752
Southwestern Group — Mo., Ark., Tex., Kan., Colo., N. M., I. T. ..	2,245	5,351	1,574	886	928
Northwestern Group — Ia., Minn., Neb., Dak., Wyo., Mont.....	2,481	3,209	879	662	829
Pacific Group — Wash., Ore., Cal., Nev., Id., Ariz., Utah	513	685	954	664	645
Total United States...	8,128	12,982	7,028	5,695	5,670

prosperity during the years 1886–90.[1] An expansion in iron ore and coal mining quickly followed.[2] From these industries so directly connected with the iron and steel trade, the revivifying movement spread outward and included within its influence all branches of manufacturing and extractive enterprise.[3] At the same time a revival in agriculture was clearly in evidence. The remarkable activity in railroad construction during the period 1886–90, as already seen, was mainly turned toward the sparsely settled regions of the South, Southwest, and Northwest. The railroad companies entering these districts were in possession of immense tracts of land, and in order to exploit the country and develop traffic, these holdings, together with large areas of government territory, were thrown open on generous terms to settlers.[4]

[1] The rapid increase in the production of iron and steel is shown in the following table compiled from the *Annual Reports* of the American Steel and Iron Association:

Year.	Iron Furnaces in Blast. Number.	Production of Pig Iron. All kinds. Net tons.	Production of Bessemer Steel Ingots. Net tons.	Production of Bessemer Steel Rails. Net tons.
1885	276	4,529,869	1,701,762	1,074,607
1886	331	6,365,328	2,541,493	1,763,667
1887	339	7,187,206	3,288,357	2,354,132
1888	332	7,268,507	2,812,500	1,552,631
1889	344	8,516,079	3,281,829	1,691,264
1890	311	10,307,028	4,131,535	2,091,978

[2] *Annual Report of the American Steel and Iron Association*, 1889, pp. 17, 24.

Profits during the years 1886–87 were very large. The price of No. 1 pig iron reached $21.50 per ton in 1887, and steel rails sold as high as $40 per ton in March of the same year. Throughout the subsequent period, 1888–90, prices were such as to insure good profits.

[3] *The Commercial and Financial Chronicle*, Financial Reviews 1886–1890.

Statistical Abstract of the United States, 1894, p. 352.

[4] The combined land sales of the Union, Central, Northern, and Kansas Pacific railroads, together with the Atchison, Topeka and Santa Fé, amounted during the years 1886–87 to 2,696,821 acres.

The enormous acreage of government lands made available for agri-

This policy on the part of the railroads and the Federal Government was followed by the influx of a large and industrious population into the newly opened districts, and under its management the soil was quickly brought under cultivation and made to contribute in large measure to the agricultural resources of the country.[1] The effect was clearly visible during the years 1886–90. The entire period was marked by good crops, profitable prices for agricultural products, and by a healthy and prosperous growth among the agricultural as well as the manufacturing interests.

This unusual activity in manufacturing and agricultural operations was quickly reflected in a rapid expansion of trade and business. Confidence was fully restored and no difficulty was experienced in securing loans and discounts. The banks throughout the country steadily extended their credit operations.[2] The movement of freight on the

culture and other purposes, and the close connection between the exploitation of the country and the building of railroads is shown in the following table:

TOTAL DISPOSALS OF PUBLIC LANDS, BOTH FOR CASH AND UNDER THE HOMESTEAD AND TIMBER CULTURE LAWS, 1885–88.

States and Territories	1885	1886	1887	1888	Total for period.
	Acres	Acres	Acres	Acres	Acres
Northwest .	8,808,172	7,414,256	6,093,676	4,933,501	27,249,605
Southwest .	3,827,499	7,231,625	6,622,192	5,509,470	23,190,786
Pacific.....	2,386,532	2,543,225	2,700,256	3,426,361	11,026,374
Southern...	979,360	986,501	1,865,841	2,332,289	6,163,991
Total ...	16,001,563	18,175,607	17,281,965	16,201,621	67,660,756

During the two years 1889–90 there was a decline in railroad construction, and the mileage built was more evenly distributed over the country than in previous years. *The Commercial and Financial Chronicle*, vol. xlvii (December 1, 1888), pp. 652–53.

[1] *Abstract of the Twelfth Census*, 1900, p. 32. *The Commercial and Financial Chronicle*, Review of 1890, p. 3.

A large percentage of the new settlers were immigrants from Northern Europe. *Statistical Abstract of the United States*, 1895, pp. 355–56.

[2] There was never any severe and continued stringency in the money market during the period 1886–88, when railroads and other industries

railroads during 1886 was largely in excess of any previous year, and with this before unparalleled record as a starting-point, the aggregate tonnage carried, together with the gross receipts from traffic operations, constantly increased during the subsequent four years.[1] A similar

called for a large amount of funds, and not until the latter half of 1890 was there any such difficulty in getting call loans in New York as to interfere with the operations of the Stock Exchange. Throughout this period, however, the banks, as a result of the commercial and industrial activity, were greatly increasing their loans and discounts. This fact appears in the following statement of the loans and deposits of national banks, taken from the *Reports* of the Comptroller of the Currency:

LOANS AND NET DEPOSITS OF NATIONAL BANKS, WITH RATIOS OF LOANS TO CAPITAL, SURPLUS, AND NET DEPOSITS, AND OF CASH TO NET DEPOSITS, FROM 1885 TO 1890.

	New York City.			Total United States.		
	Loans. Millions	Ratios of Loans to Capital, Surplus, and Net Deposits. Per cent.	Cash to Net Deposits. Per cent.	Loans. Millions	Ratios of Loans to Capital, Surplus, and Net Deposits. Per cent.	Cash to Net Deposits. Per cent.
Oct. 1, 1885	236.8	62.3	36.8	1301.2	67.7	21.1
Oct. 7, 1886	253.7	71.7	27.1	1443.7	71.9	17.3
Oct. 5, 1887	258.0	70.9	28.0	1580.0	73.8	17.6
Oct. 4, 1888	292.5	69.2	28.1	1674.9	72.1	17.4
Sept. 30, 1889	303.9	72.4	25.1	1805.7	73.2	15.9
Oct. 2, 1890	297.1	71.0	27.8	1970.0	75.1	16.1

[1] The increase in the amount of freight carried and in the total gross earnings of the railroads of the country is shown in the following table, compiled from Poor's *Manual of Railroads for* 1891, pp. v and xiii:

TOTAL TONNAGE AND GROSS EARNINGS OF THE RAILROADS OF THE UNITED STATES, 1886–1890.

Year.	Freight Carried. Tons.	Gross Earnings. Dollars.	Increase over preceding year. Freight Carried. Tons.	Increase over preceding year. Gross Earnings. Dollars.
1886	482,245,254	829,940,836	45,205,155	57,371,953
1887	552,074,752	940,150,702	69,829,498	110,209,866
1888	590,857,353	960,256,270	48,782,601	20,105,568
1889	619,165,630	1,002,926,059	28,308,277	42,669,789
1890	701,344,437	1,097,847,428	82,178,807	94,921,369

growth in the total bank clearings of the country was noticeable and was especially marked in the clearing-houses of the Southern, Western, and Pacific States.[1] The increasing volume of interior trade, which was thus clearly indicated, averaged well in profits and gave to labor steady and remunerative employment. This fact, together with the extraordinary industrial development and the increase in population, added greatly to the wealth and consuming power of the entire country, and led to a demand for commodities which soon overreached the domestic market and was only satisfied by heavy importations of all descriptions of goods.

The total annual value of imports of merchandise into the United States increased from $577,527,329 in the year 1885 to $789,310,409 in 1890.[2] This amazing growth was not confined to any special class of goods, but included commodities of every kind, ranging in variety from capital instruments to articles of luxury.[3] The demand for foreign products, which, as already seen, had reached extraordinary proportions because of the increased wealth and population of the country, was further stimulated by British producers who, after the year 1887,

[1] The growth in the amount of bank clearings for the entire country as compared with the clearings outside of New York City was as follows (*The Commercial and Financial Chronicle*, Annual Review for 1891, p. 11):

BANK CLEARINGS IN THE UNITED STATES, 1885–1890. (000 omitted.)

Year.	Total all.	Outside New York,
1885	$41,474,041	$13,321,840
1886	49,293,721	15,616,891
1887	51,147,529	17,672,973
1888	49,541,635	18,441,607
1889	56,175,328	20,280,223
1890	60,117,891	22,659,283

[2] *Statistical Abstract of the United States*, 1894, p. 73.
[3] *Ibid.* pp. 228–229.

were aggressively seeking markets abroad and were willing to accept foreign securities in payment for their goods.[1] On the other hand, because of the growth in wealth and population of the United States, a larger percentage of domestic products was consumed at home.[2] The exportation of grain from India and Argentina was also beginning at this time to exert a strong influence in the world market, and, together with good yields from European harvests, lowered the price of cereals at Liverpool. The quantity of American agricultural products which were available for export was, therefore, lessened in value.[3] The result was that the advance in value of our exports, not only to Great Britain but to all other countries, failed to keep pace with the rapid increase in the value of our imports. During the year 1887 the excess of exports over imports of merchandise amounted, in round numbers, to only twenty-three million dollars, while the imports of gold exceeded exports by thirty-three million dollars, thus leaving a trade balance against the United States of about ten million dollars. In the following year imports of gold and merchandise exceeded exports by over sixty-three million dollars.[4] During the year 1889 imports of merchandise also were over two million dollars greater in value than exports.[5]

During these same years the rapid industrial develop-

[1] On account of these easy conditions of payment, British goods found a favorable market in this country, the annual purchases from the United Kingdom growing in value from $136,701,780 in 1885 to $186,488,956 in 1890. *Statistical Abstract of the United States*, 1894, p. 81.

[2] In 1880 only 17 per cent. of the total value of our agricultural products were retained for domestic consumption; in 1889, over 27 per cent. were consumed at home. In 1880 our consumption of domestic merchandise, other than manufactures, was slightly more than 12 per cent. in value of our total production; in 1889 we consumed 19 per cent. of the total value of domestic merchandise produced. *Statistical Abstract of the United States*, 1894, p. 157.

[3] A. D. Noyes, *Thirty Years of American Finance*, pp. 121–122.

[4] *Statistical Abstract of the United States*, 1894, pp. 51, 73.

[5] *Ibid.* p. 73.

ment in the United States, as already pointed out, had called for the investment of an immense amount of capital. This capital was obtained by the flotation of an unusually large volume of securities. The railroad companies in carrying out their extensive construction projects during the five years 1886–90 increased their total indebtedness about two and one half billion dollars, and almost the whole of this extraordinary sum was funded in the shape of stocks and bonds.[1] The annual listing of new issues of bonds on the New York Stock Exchange, the greater part of which were offered by the railroads, was almost 100 per cent. greater in value in the year 1890 than in 1885. During the same time the annual listing of new stock issues increased in value over 900 per cent. The value of both the old and the new issues listed during these years was as follows:[2]

LISTINGS ON THE NEW YORK STOCK EXCHANGE, 1885–1890.

	BONDS.		STOCKS.	
	New Issues.	Total Old and New Issues.	New Issues.	Total Old and New Issues.
1885	$103,884,000	$197,259,000	$17,783,116	$56,913,116
1886	81,641,000	238,097,690	54,006,350	329,489,350
1887	180,386,000	343,477,321	48,726,791	270,053,550
1888	261,989,631	511,002,218	62,408,357	248,228,275
1889	206,684,000	389,720,000	69,721,717	259,649,774
1890	198,158,850	684,867,879	164,461,729	437,992,330

Commencing with the year 1887 there was also a strong movement toward the organization of industrial plants into joint-stock corporations. More than $500,000,000 in stocks and bonds were issued by these combinations during the four years 1887–90.[3] In street-railway, gas, electric

[1] Poor's *Manual of Railroads*, 1891, p. iv.

[2] *The Commercial and Financial Chronicle*, Financial Review for 1891, p. 12.

[3] *Industrial Combinations in the United States.* By Luther Conant, Jr. *Publications of the American Statistical Association*, vol. vii (March, 1901) p. 12.

lighting, and Western land development companies, and similar fields of joint-stock enterprise, the promoter was equally active.) Unfortunately, no statistics are available by means of which an accurate estimate might be made of the total amount of securities issued in the United States during the period 1886–90, but from this activity in smaller undertakings, together with the flotations of the railroads and large industrial corporations, some conception may be had of the immense and unusual volume of stocks and bonds offered to home and foreign investors.

The amount of these securities purchased abroad is even more difficult to estimate than the total sum issued. From the course of international trade, as already pointed out, it was clear, however, that Americans were importing more goods than they could immediately pay for, and were settling their balances by turning over to their foreign creditors evidences of debt in the shape of stocks and bonds. The fact of a constantly decreasing surplus of merchandise exports over imports after the year 1886, which finally resulted in an excess of imports during the two years 1888–89, plainly indicated that millions of dollars in American securities, not only of the new issues but of the old listings of the stock exchanges, were being absorbed by the British and European markets. The net importation of over $33,000,000 in gold during the year 1887 in the face of a balance of more than $23,000,000 in merchandise exports in favor of the United States, also showed that in addition to the negotiation of heavy loans and the flotation of securities abroad, a large amount of our stocks and bonds were being quietly bought by foreign investors in the open market. As a matter of fact, conditions in Great Britain were especially favorable for the placing of new loans and companies. The improvement in trade and business there had inspired the country with confidence, and capital was obtainable on very easy terms. For this reason and also because the bulk of the increased

imports into the United States during the years 1887–90 came from the United Kingdom, England became our greatest creditor. A large part of our new railroad issues were floated in that country, more than $100,000,000 in the stocks and bonds of American railroads being taken in the London market during the three years 1887–89.[1] British capital also freely entered into other American industrial undertakings and many enterprises of strictly British origin were incorporated to carry on operations in this country, including even joint-stock companies to acquire breweries in the United States and to exploit the newly opened districts of the West and South. The international trade situation, in short, throughout the entire period beginning with the year 1886, and ending with 1890, plainly indicated, (1) that this country was purchasing larger quantities of goods abroad, especially in Great Britain, than it could immediately pay for, and foreign creditors were accepting payment in American securities; (2) that large loans were being negotiated by American capitalists in British and Continental markets; and (3) that European and English investors were not drawing upon their interest accounts, but were investing their balances here as fast as they accrued.

During this period there was another movement in evidence, however, which in its final consequences was even more far-reaching than the growth in our indebtedness abroad. The large increase in our imports added greatly to the receipts of the Government from customs duties. At the same time the increased consumption of domestic products arising from our expansion in wealth and population was productive of larger revenues from internal taxes.[2] The exploitation of the Northwest and

[1] *The London Economist*, Commercial History and Review of the Years 1887–89.

[2] The receipts from internal revenue taxes increased from $116,805,936 in 1886 to $142,606,705 in 1890, the receipts from import duties from

Southwest also augmented the receipts from the sale of public lands. A combined result soon became apparent in the accumulation of an unprecedented Treasury surplus, which finally assumed such proportions as to impede, by the absorption of the circulating medium of the country, the movement of crops and other commercial and financial operations.[1]

The practical remedy for the situation was, of course, the reduction of revenue duties to a point where the receipts from taxation would correspond to the expenses of the Government. It was impossible to adopt this policy, however, because of a protectionist majority in the Senate. In order, therefore, to get rid of the constantly accumulating revenue and to prevent the recurring stringency in the money market, the Secretaries of the Treasury, during the three years 1887–89, were forced to purchase Government bonds, both at par and at a premium, in the open market, to pay in advance the interest charges on Government obligations, and to deposit Government funds with banks.[2]

But these measures of relief were unavailing, and the disposal of the surplus revenue soon became a question of practical politics. In his annual reports to Congress,

$181,471,939 in 1886 to $229,668,584 in 1890. *Statistical Abstract of the United States*, 1894, p. 20.

[1] The surplus remaining at the close of each fiscal year after all the obligations of the government had been paid, exclusive of such funds as that for the redemption of the national bank notes, appeared as follows in the Finance Reports, 1886–90.

1886,	$103,471,097
1887,	80,023,570
1888,	119,612,116
1889,	105,053,443
1890,	37,239,762
	$445,399,988

[2] As a result of this policy the total interest-bearing debt of the United States was decreased from $1,146,014,100 in 1886 to $725,393,110 in 1890. The cost to the national treasury in premium on bonds amounted to almost $46,000,000. *Report of the Secretary of the Treasury*, 1890, pp. xcvi, cxxiii.

Secretary Fairchild, of the first Cleveland administration, repeatedly recommended a reduction in the customs duties.[1] As a manifesto of party policy in the approaching campaign, the Democratic majority in the House had already passed the Mills Bill, providing for a substantial reduction in the tariff schedules. Shortly afterwards the Republicans in the Senate squarely met the issue by enacting a high tariff measure and announcing their determination to repeal the internal revenue taxes rather than sacrifice the protective principle.[2] During the ensuing canvass, this pronounced position on the tariff question was supplemented by the promises of the Democratic and Republican party platforms relative to the administration of the Government finances, the former supporting a policy of retrenchment and economy, the latter advocating a more extended range of Federal expenditure.

The outcome was the election of President Harrison. The Republican leaders, interpreting his success as a popular approval of their attitude, at once proceeded to put their expressed policy into practical operation. The McKinley tariff law which raised the average rate of duty to 48.71 per cent. and placed sugar and other productive sources of customs receipts on the free list, and which was framed with the object of doing away with the surplus revenue, was passed by Congress and became law on October 1, 1890. At the same time the preliminary steps were taken to dispose of the existing Treasury surplus and any further excess, by means of an increase in congressional appropriations. President Harrison, in his first annual message, urged additional appropriations not only for the navy and for coast defense, but even for the Pension Department and for river and harbor improvements. Congress was not slow to respond, and the aggregate appro-

[1] *Report of the Secretary of the Treasury*, 1887, p. xxxi. *Ibid.* 1888, p. xxvii.

[2] Taussig, *Tariff History of the United States*, pp. 253–254.

priations authorized by the Fiftieth Congress, which held its sessions during the fiscal years 1889–90, were more than $61,000,000 greater than the appropriations of the preceding Congress.[1]

But the triumph of the Republican party in securing the adoption of its program of increased expenditures and an extension of the protective system had not been attained without a costly compromise in the form of the Sherman silver purchase law which was enacted by Congress on July 14, 1890. As a matter of fact, this legislative measure was the direct outcome of a movement for the free coinage of silver which had its origin more than twelve years prior to the year 1890, and which, by means of constant agitation, had exerted a strong influence upon the course of our financial affairs. In order, therefore, to obtain a complete understanding of the financial situation in the United States on the eve of the panic of 1890 as well as to secure a proper setting for the continuance of our account, it is necessary to review briefly the silver agitation and the effect of our silver legislation upon trade and industry during the period 1878–90. As a preliminary step to a conception of the true significance of the silver movement, a glance must also be taken at the position of silver both as a commodity in the international market and as a money material in the financial systems of other countries at the time the United States was entering upon its first experiment in silver legislation.

[1] *Report of the Secretary of the Treasury*, 1891, p. cxii.

CHAPTER II

THE SILVER MOVEMENT IN THE UNITED STATES

The Fall in the Value of Silver after 1872. — The Act of 1878. — Operation of the Act of 1878. — Net Result of the Act of 1878. — Causes of the Act of 1890. — Provisions of the Act of 1890. — Significance of the Act of 1890. — Summary of the Financial Situation in the United States in the Autumn of 1890.

THE middle of the nineteenth century was marked by the discovery of gold in California and Australia, and during the twenty-five years subsequent to the year 1850 there was an extraordinary increase in the world's production of that precious metal, the output from the mines during this period being equal in value to the total amount previously extracted from the time of the discovery of America by Columbus. The remarkable addition to the gold-supply during these years was also accompanied by a steady growth in the production of silver. The percentage of increase in the amount of silver annually given forth by the mines ranged from 25 to 50 per cent in the years immediately following 1850, and went still higher at the close of the period, on account of the uncovering of rich deposits in the State of Nevada.[1]

Since gold possesses greater value in smaller bulk and is consequently much more desirable for monetary purposes than silver, the leading commercial nations of the world soon began to avail themselves of the opportunity offered by the increased gold-supply to add to their stocks of gold and to substitute gold for silver in their currency. As

[1] The total amount of gold and silver produced in the world before 1850, and from 1851 to 1875 was as follows:

1493–1850.....	$3,314,553,000	$7,348,450,000
1851–1875.....	3,317,625,000	1,395,125,000

early as the year 1852 France commenced to displace her silver coins with gold, and during the period 1852–64 she absorbed in this way $1,163,000,000 in gold and $345,000,000 in silver disappeared from her circulation. The Scandinavian Governments soon adopted a policy similar to that of France, and in 1871 Germany also introduced a gold currency in place of her previous silver currency. By the year 1874 more than $270,000,000 in silver coins had been exchanged by the German Government for gold, and the surplus stock of silver thus created was offered for sale in the open market. Holland during the year 1873 practically adopted the gold standard, and in 1874 France, Belgium, Italy, and Greece, the countries composing the Latin Monetary Union, suspended the free coinage of silver and limited the amount of silver which might be annually coined at the mints of each member of the Union.[1]

A large amount of silver was thus thrown upon the market by the united action of commercial nations in displacing their silver currency with gold. This surplus was also enlarged by the steadily increasing output of the silver-mines. The resultant excess in the silver-supply was for a number of years absorbed by India and the East, the amount of silver taken by India alone during the period 1852–75 being estimated at more than one billion dollars. After the close of the Civil War in the United States, however, the exportation of cotton from India was greatly reduced, and at the same time the indebtedness of India in England, through loans negotiated by the Indian Government, was largely increased. Consequently India was not in a position to absorb the large amount of silver that she had done in former years. The outlet for the surplus silver displaced by gold in the currency of European countries was, therefore, to a great extent cut off, and the logical outcome of this large curtailment of demand soon

[1] The gold standard was adopted by Italy in 1883, thus causing a further curtailment of the demand for silver.

made itself evident in a rapid decline in the value of silver. The tendency in this direction was first noticeable after the year 1872, and by 1878 the value of a fine ounce of silver had fallen to $1.15, or 17 cents below the quotation of six years earlier. Strange as it may seem, however, it was in the face of this situation, when the commercial nations of Europe were discarding their silver currency and when the value of silver in the international market had declined to a point where the bullion in an American silver dollar was worth only 89 cents, that this country entered upon its first experiment in silver legislation by authorizing a large annual increase in the coinage of silver dollars.[1]

The possibility of securing an inflation of the currency of the United States by means of the coinage of a cheap silver dollar appealed strongly to those persons who had opposed the resumption of specie payments and who had advocated the continuance of the depreciated legal-tender notes. They eagerly joined forces with the mining and other interests which were peculiarly concerned with maintaining the value of silver, and under the plea that silver had been surreptitiously demonetized by the coinage law of 1873 the agitation for a cheap currency was actively renewed. In December, 1876, a bill for the free coinage of silver was passed by the House of Representatives, but was unfavorably received in the Senate. A similar measure was again passed in the House during November, 1877, by a vote of 163 to 34. In the Senate, however, the free coinage provision was stricken from the bill, and in its place a section was substituted authorizing the Secretary of the Treasury to purchase and coin each month not more than four million nor less than two million dollars' worth of silver bullion. The standard silver dollars coined from this

[1] A complete account of the forces leading to the fall in the value of silver, and the displacement of silver by gold in the currencies of the principal commercial nations after the year 1850, is to be found in J. Laurence Laughlin's *History of Bimetallism in the United States* (New York, 1897, 4th edition), part ii, pp. 109–206.

bullion were to be a "legal tender at their nominal value, for all debts and dues public and private, except when otherwise expressly stipulated in the contract." Silver certificates of denominations not less than ten dollars were also authorized and were to be issued by the Secretary of the Treasury on the deposit of silver dollars authorized by the Act, and such certificates were to be "receivable for customs, taxes, and all public dues." In this amended form the bill was accepted by the House, and was finally enacted by Congress on February 28, 1878, over President Hayes's veto.[1]

Under the operation of the Act of 1878 each Secretary of the Treasury practically kept within the minimum requirements of the law and did not purchase more than two million dollars' worth of silver per month. The amount of standard silver dollar pieces that could be coined from the silver bullion purchased by two million dollars' worth of legal-tender paper prior to the resumption of specie payments on January 1, 1879, and by gold after that date, varied of course with the price of silver bullion, and averaged about two and one-half million silver dollar pieces per month, or from twenty-seven to thirty-four million standard silver dollars annually. The problem that confronted the Treasury officials was to inject this amount of silver dollars into the permanent circulation of the country. It was obvious that if silver were permitted to accumulate in Government receipts from customs and internal revenue taxes, it would displace a corresponding amount of gold. At the same time, the Treasury gold reserve would soon be exhausted by the payment of Government obligations and the currency of the country reduced to a depreciated silver basis.

[1] A detailed discussion of this enactment, as well as subsequent silver legislation, is to be found in the *Report of the Monetary Commission*, 1898; F. W. Taussig's *The Silver Situation in the United States* (New York, 1893); A. D. Noyes's *Thirty Years of American Finance* (New York, 1898); and J. Laurence Laughlin's *History of Bimetallism in the United States*, referred to above.

During the two years immediately following the passage of the Act, almost all the silver coined by the Government was piled up in the Treasury. The silver certificates issued in payment for bullion were passed from bank to bank until they found their way into the receipts of the Government.[1] Only a few stayed in circulation. At the close of the fiscal year 1879, of the thirty-six million dollars which had been coined, twenty-eight million remained in the Treasury unrepresented by silver certificates in circulation. The danger of this situation was enhanced during the early half of the year 1880 by a further growth in the Treasury holdings of silver accompanied by an even faster decline in its stock of gold. Fortunately, however, the existing tension was relieved during the latter part of 1880 and the two years, 1881–82, by a change in the course of trade and industry following the resumption of specie payments. Railroad construction was pushed forward on an immense scale, the crops were good, interior trade was active, and there were heavy importations of gold from abroad followed by an inflow of gold into the Treasury. Under these conditions there was a large demand for currency in small denominations for use in retail transactions and in "moving the crops." Secretary Sherman quickly took advantage of the situation by issuing a circular in September, 1880, offering drafts on the sub-treasuries in the West and South, payable in silver certificates, in return for gold deposited at the New York Sub-Treasury. This policy involved the expense of transporting silver dollars from one section of the country to another, but through its operation a large amount of silver was put into circulation, especially from the sub-treasuries at St. Louis and New Orleans.

But the active period in industry and trade during the

[1] A significant indication of the distrust of the new silver issues in banking circles was soon made evident by the action of the New York Clearing-House Association on November 12, 1878, when the New York Sub-Treasury was admitted to membership. On that occasion a resolution was passed prohibiting the payment of balances in silver certificates or silver dollars.

period 1880–82 was succeeded by the usual reactionary movement. The year 1883 was one of steadily increasing depression in financial and commercial affairs. The number of small business transactions, and especially those requiring the use of money, diminished, the currency of the country became redundant, a large amount of silver accumulated in the banks, and by the banks was worked off on the Treasury in the payment of customs duties. At the same time the Secretary of the Treasury was required, under the provisions of the Act of 1878, arbitrarily to coin into silver dollars and attempt to put into circulation two million dollars' worth of silver bullion each month, irrespective of the demands of business and trade. The logical outcome of this course of affairs was soon reached. Since the banks hoarded the gold which came into their possession and poured their silver into the Treasury by way of the customs revenue, the opportunity of replenishing the Treasury holdings of gold was constantly being diminished. On the other hand a steady drain upon the stock of gold already accumulated in the Treasury was caused by the annual purchase of thirty million dollars' worth of silver bullion, by the payment of Government expenditures, and by the redemption of the public debt and the demand obligations of the Government in the form of legal-tender paper. A large supply of silver was, therefore, rapidly accumulated by the Treasury, and at the same time its gold reserves were steadily reduced. The fear was soon openly expressed that the Government would be forced to suspend gold payments, and the alarming nature of the situation was intensified by the action of the Sub-Treasurer in New York City, who, on February 21, 1884, in a letter to the manager of the Clearing-House Association, intimated that it might be necessary to use silver in payment of Government balances. This ill-judged hint had the effect of spreading the existing alarm to foreign investors in American securities, who at once returned large blocks of

their holdings to be sold on the American market, with the result that gold was exported from the country and an additional demand made upon the Treasury reserves of that metal.[1] The climax was finally reached in the financial crisis of May, 1884, which, as already seen, was succeeded by a period of restriction in production and of general stagnation in industry and trade that extended through the years 1884–86.[2] Under these conditions there was a further accumulation of silver in the Treasury attended by a decline in its holdings of gold. The gold reserve fell to 120 million dollars in November, 1884, and even lower in January, 1885. It was, therefore, clearly evident that immediate action was necessary if the drain of gold from the Treasury was to be stopped and the country saved from a depreciated silver currency.

On being confronted with this serious situation, the first step taken by the Treasury officials was directed toward the maintenance of the existing stock of gold. Previous to the year 1884 the large surplus revenue had made it possible to pay off many millions of the public debt. During September of that year, however, this policy was discontinued and none of the 3 per cent. bonds (then redeemable at the pleasure of the Government) were called in for redemption until December, 1885. For more than a year the surplus revenue, instead of being employed in the reduction of the national debt, was used to buy silver, and the silver dollars coined from the bullion thus purchased were hoarded in the Treasury and withheld from the already redundant circulation of the country. During this period efforts were also made to encourage gold receipts, and the banks gave moral as well as substantial support to the exertions of the Government in this direction by turning over to the Secretary of the Treasury in July,

[1] During the fiscal year 1884 the excess of exports over imports of gold amounted to $18,250,640.

[2] See p. 1 *et seq.*

1885, $5,915,000 of gold in return for fractional silver. At the same time they announced their intention of furnishing additional supplies of gold to the Government should it be deemed necessary.

On the other hand, new devices were invented to get silver into circulation. Since the issue of national bank notes of smaller denominations than five dollars had been prohibited by the Resumption Act of 1879, the currency in one or two dollar denominations at this time consisted almost exclusively of United States notes, or greenbacks. After June, 1885, however, the issue of these greenbacks in denominations less than five dollars was stopped, and when the soiled and torn greenbacks of small denominations were returned to the Treasury for redemption, they were withdrawn from circulation and replaced by greenbacks of large denominations. This process of retirement was slow, but by the year 1886 such a vacuum had been created that, under the pressure of a demand for currency of small denominations, Congress was prevailed upon to authorize the issue of one, two, and five dollar silver certificates. Permanent circulation was thus secured for a large amount of silver, which took the place of the small greenbacks previously retired by the Treasury officials.

These efforts of the Treasury to maintain its gold reserve and provide an outlet for silver were supplemented by the influence of a fortunate change in the course of business after the year 1885. The period 1886–90, as already pointed out, was one of prosperity, marked by a constantly increasing volume of importations and the resultant accumulation, largely from customs duties, of an unprecedented surplus revenue.[1] This surplus was used in paying off the national debt, and, as a consequence, the amount of Government bonds available for the purpose of guaranteeing the issue of national bank notes was rapidly reduced. At the same time, the rate of discount

[1] See footnote 1, p. 13.

in the loan market became higher as the result of better business conditions, and the banks soon found it much more profitable to lend their funds directly than to invest in Government bonds to be used as a basis for the issue of notes. They, therefore, began to cut down their note issues, and by 1890 the amount of national bank notes outstanding was $120,000,000 less than in the year 1886.[1] As the notes thus retired were of small denominations a further opening was made for the use of silver certificates. Moreover, the revival in business and industry after the year 1885, owing to the greater rapidity and extent of domestic trade, especially in the newly exploited regions of the West and South, brought about an increasing demand for the use of silver in the payment of wages and in other small transactions.

Under these conditions the efforts of the Treasury officials to push silver into circulation were attended with good results. During the five years 1886–90 the Treasury's accumulations of silver decreased to a point where they no longer caused anxiety. Practically all of the silver coined during the two years 1889–90 passed into circulation. In the autumn of 1885 there was also an upward movement in the gold reserve, and by the end of that year confidence in the ability of the Government to maintain gold payments had been restored. Consequently during the subsequent period of five years there was a steady

[1] The following figures, taken from Taussig's *The Silver Situation in the United States*, show the amount of national bank notes outstanding (in millions of dollars) during the six years 1885–1890:

Year.	Total Outstanding.	Net Amount (less lawful money deposited for redemption).
1885	315.8	276.3
1886	301.5	219.7
1887	272.0	169.2
1888	239.4	152.4
1889	202.0	130.2
1890	179.8	125.0

inflow of gold into the Treasury, and the gold reserve was ample.

The danger of a suspension of gold payments was thus averted. The outcome, however, was by no means satisfactory. Only by the employment of artificial devices, such as the substitution of one and two dollar silver certificates for the greenbacks of small denominations, had the Treasury officials been able to keep silver in circulation and maintain the gold standard during the prosperous period 1886–90. Even then their efforts had been successful only because they had control of a large surplus revenue, which made it possible to hold the silver dollars and certificates in the Treasury vaults when the silver circulation of the country was redundant. This surplus during the good years 1886–90 aided the Treasury indirectly by creating an outlet for the small silver certificates on account of the payment of the public debt and the consequent reduction in the national bank note circulation. So far as the Treasury was concerned, the existence of a surplus revenue during almost the entire operation of the Act of 1878 was one of the most favorable factors in the situation. In the event of a depression of business such as marked the two years 1884–85, or the adoption of an ill-considered tariff or fiscal policy by the Government which would radically cut down or cause a deficit in Government revenues, there was every indication that silver would again accumulate in the Treasury and thus endanger the maintenance of the gold standard of payments.

The policy adopted by the Treasury of retiring United States notes, or greenbacks, of small denominations had without doubt resulted in creating a vacuum in the circulation which insured a permanent place for small silver certificates. But the void thus created could only make room for a certain amount of silver, dependent upon the action of the national banks in reducing their note issues.

If the Treasury officials transgressed this limitation a redundancy of silver in circulation would be the result. Moreover, in its ultimate possibilities, the policy of retiring the one and two dollar legal-tender notes and reissuing them in the form of greenbacks of large denominations was, if anything, more dangerous than the effect of the immediate accumulation of a large amount of silver dollars or silver certificates in the Treasury. The greenbacks of small denominations had hitherto found lodgment in the hands of the people, had been used continually by them in the retail transactions of everyday life, and consequently had been returned for redemption only when they became too soiled or damaged to be of any further service. The greenbacks of large denominations which were issued in their place were now held by the banks and were quickly available, should an occasion present itself, for the purpose of drawing off gold from the Treasury.

The net result, therefore, of the operation of the Act of 1878 was not only to increase the demand obligations of the Government payable in gold to the extent of $378,000,000 [1] (the amount of silver dollars coined), but also, by

[1] AMOUNT, COST, AND AVERAGE PRICE OF SILVER PURCHASED UNDER THE ACT OF FEBRUARY 28, 1878, AND COINAGE OF SILVER DOLLARS THEREFROM:

Fiscal Years.	Fine Ounces.	Cost	Average Price per Fine Ounce	Coinage of Silver Dollars.
1878	10,809,350	$13,023,268	$1.20	$8,573,500
1879	19,248,086	21,593,642	1.12	27,227,500
1880	22,057,862	25,235,081	1.14	27,933,750
1881	19 709,227	22,327,874	1.13	27,637,955
1882	21,190,200	24,054,480	1.13	27,772,075
1883	22,889,241	25,577,327	1.11	28,111,119
1884	21,922,951	24,378,383	1.11	28,099,930
1885	21,791,171	23,747,460	1.08	28,528,552
1886	22,690,652	23,448,960	1.03	29,838,905
1887	26,490,008	25,988,620	.98	33,266,831
1888	25,386,125	24,237,553	.95	32,718,673
1889	26,468,861	24,717,853	.93	33,793,860
1890	27,820,900	26,899,326	.96	35,923,816
1891	2,797,379	3,049,426	1.09	8,740,327
	291,272,018	$308,279,260	$1.05	$378,166,793

the substitution of greenbacks of large denominations for small greenbacks, the way was opened for quickly depleting the Treasury of its gold reserve, upon the maintenance of which the payment of its obligations depended. It is true that the silver dollars and certificates were not directly redeemable in gold, but, as a matter of fact, when the silver in circulation became redundant, or when apprehension existed as to the maintenance of the gold standard, silver dollars and certificates, as already seen, were poured into the Treasury through the customs receipts, a corresponding inflow of gold was cut off, and a process of redemption thus carried out which was as effective in its operations as if silver had been directly presented at the Treasury and gold received for it. To the ever-present possibility of gold being thus displaced in the Government receipts by silver was now added the further danger that gold might be drawn from the Treasury by means of the greenbacks of large denominations which were carried by the banks in their reserves. The maintenance of gold payments was therefore imperiled by the possibility of the Treasury gold reserve being lost in two ways. On the one hand, the additions to the Treasury supply of gold through the payment of import duties were in danger of being cut off; on the other hand, by making the large greenbacks quickly available to the banks, an opportunity was afforded of draining the Treasury of its stock of gold already accumulated. Under these conditions it was clearly evident that the ability of the Treasury to continue gold payments during a period of business depression or lack of confidence had been greatly impaired.

But the success of the Treasury in keeping silver in circulation and warding off dangers to the standard during the period 1886–90 was interpreted by the advocates of the free coinage of silver to mean that the Government could with impunity greatly increase its silver obligations. The agrarian communities of the West and Northwest,

which desired a larger quantity of money in circulation, and the silver-mining states west of the Mississippi, which sought to check the constant fall in the value of silver, had never been satisfied with the Act of 1878, and had incessantly agitated the question of the free coinage of silver. Unfortunately for the country, the political complexion of Congress, after the presidential election of 1888, enabled the representatives from these Western States to dominate the situation.

In the election of that year the Republican candidate, Benjamin Harrison, secured a majority in the electoral college. President Cleveland, however, was given a larger number of popular votes than his successful opponent. Moreover, his administration of the civil service had lost him many supporters, and political intrigue in New York had deprived the Democratic party of the electoral vote of that state. Under these conditions, it could scarcely be said that the election of President Harrison was a decisive indorsement of the issues he advocated. Consequently, when the Republican leaders declared that the result of the election was a popular verdict in favor of protection and prepared to extend the protective principle by framing the McKinley tariff law, they encountered not only distrust in a large wing of their own party, but at the same time were confronted with a practical difficulty of vital importance within Congress itself. The Republican majority in the House at the opening of the 51st Congress was found to consist of only eight votes, including Western Representatives who were lukewarm, if not hostile on the tariff question. In the Senate the situation from a Republican standpoint was even more unfavorable. The party majority in that body consisted of only eight Senators, and without the support of the members from the silver-producing states of the West, who were by no means favorably disposed to an extension of the protective system, the Republicans would actually be in the minority. Under

these conditions it was at once evident that some expedient must be devised to placate the silver wing of the party, if the proposed tariff legislation was to be carried to a successful conclusion.

At this juncture Mr. Windom, who was then Secretary of the Treasury, and who was considerably more of a politician than a financier, inaugurated a course of procedure which peculiarly emphasized his talents in the way of political expediency. In his first annual letter to Congress he recommended that the Government should buy silver at the market price, without any assignable limit, and pay for it in notes of the United States, which were to be redeemable in silver bullion or in silver dollars or gold at the option of the Government or the holders of the notes respectively.

The motive which prompted this ill-considered recommendation was at once apparent. It was evidently intended to placate the silver Senators and Representatives, and to secure their support for the McKinley Bill. Every prudent congressman shrank from the effect of such an unlimited inflation of the currency. But practically all that could be done was to limit as far as possible the injurious features of this political compromise which had been devised by the Administration. On June 5, 1890, the House passed a bill restricting the issue of notes to $4,500,000 monthly and making them "redeemable in coin, on demand." The Senate, however, promptly turned down this measure and enacted a flat free-coinage bill which it returned to the House. On the same day the McKinley tariff law reached the Senate and that body postponed consideration of the tariff measure until final action had been taken on its free-coinage bill. The situation was awkward for the Administration, as the majority vote in the Senate included, with two exceptions, every Senator from the silver-producing states of the West which Secretary Windom was endeavoring to conciliate. The

which desired a larger quantity of money in circulation, and the silver-mining states west of the Mississippi, which sought to check the constant fall in the value of silver, had never been satisfied with the Act of 1878, and had incessantly agitated the question of the free coinage of silver. Unfortunately for the country, the political complexion of Congress, after the presidential election of 1888, enabled the representatives from these Western States to dominate the situation.

In the election of that year the Republican candidate, Benjamin Harrison, secured a majority in the electoral college. President Cleveland, however, was given a larger number of popular votes than his successful opponent. Moreover, his administration of the civil service had lost him many supporters, and political intrigue in New York had deprived the Democratic party of the electoral vote of that state. Under these conditions, it could scarcely be said that the election of President Harrison was a decisive indorsement of the issues he advocated. Consequently, when the Republican leaders declared that the result of the election was a popular verdict in favor of protection and prepared to extend the protective principle by framing the McKinley tariff law, they encountered not only distrust in a large wing of their own party, but at the same time were confronted with a practical difficulty of vital importance within Congress itself. The Republican majority in the House at the opening of the 51st Congress was found to consist of only eight votes, including Western Representatives who were lukewarm, if not hostile on the tariff question. In the Senate the situation from a Republican standpoint was even more unfavorable. The party majority in that body consisted of only eight Senators, and without the support of the members from the silver-producing states of the West, who were by no means favorably disposed to an extension of the protective system, the Republicans would actually be in the minority. Under

these conditions it was at once evident that some expedient must be devised to placate the silver wing of the party, if the proposed tariff legislation was to be carried to a successful conclusion.

At this juncture Mr. Windom, who was then Secretary of the Treasury, and who was considerably more of a politician than a financier, inaugurated a course of procedure which peculiarly emphasized his talents in the way of political expediency. In his first annual letter to Congress he recommended that the Government should buy silver at the market price, without any assignable limit, and pay for it in notes of the United States, which were to be redeemable in silver bullion or in silver dollars or gold at the option of the Government or the holders of the notes respectively.

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House, however, refused to accept the Senate substitute,[1] and, as is usual in such cases, the Silver Bill was sent to a conference committee of both branches of Congress. After a week of anxiety among the promoters of the Tariff Bill, an agreement was reached by the Senate and House. In this amended form the bill received the approval of President Harrison and became law on July 14, 1890.[2]

Because of the fact that the compromise bill was chiefly the work of Mr. Sherman, it became subsequently known as the "Sherman Act." It provided that the Secretary of the Treasury should purchase 4,500,000 ounces of silver monthly, and directed him to pay for this in legal-tender paper called Treasury notes, which were to be "a legal tender in payment of all debts, public and private, except when otherwise expressly stipulated in the contract," were "receivable for customs, taxes, and all public dues," and when held by any national bank were to be counted as part of its legal reserve. These notes were to be directly redeemable at the Treasury or any sub-treasury "in gold or silver coin" at the discretion of the Secretary of the Treasury, and as a guide to future action a parity clause was added declaring it to be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such other ratio as may be provided by law." After July 1, 1891, no more

[1] The statement has been made that the silver law of 1890 was enacted not because the silver faction in the Senate demanded silver legislation in exchange for its vote on the tariff bill, but for the reason that the failure to pass the Sherman Law would have resulted in the enactment of a free-coinage bill. This assertion, however, is not borne out by the facts. When the Senate substituted a free-coinage measure for the House Bill the opportunity was given to pass a free-coinage law, but the House refused. Moreover, the claim that a free-coinage bill would have been passed if the Sherman Law had not been enacted assumes that President Harrison would have approved a free-coinage bill. Noyes, *Thirty Years of American Finance*, pp. 147, 148.

[2] A summary but complete account of the discussion in Congress during the year 1890, and of the action of the House and Senate relative to the proposed silver legislation, is to be had from an article entitled "The Silver Debate of 1890," by R. F. Hoxie, *The Journal of Political Economy*, vol. i (September, 1893), pp. 535–587.

silver dollars were to be coined than were necessary for the redemption of the Treasury notes. Until that date, 2,000,000 ounces of silver per month were to be coined into standard silver dollars.

In comparison with the Act of 1878, the Sherman Law, therefore, contained two significant features. Although in the first place, it did not repeal but continued the old policy of purchasing silver, yet it made necessary the purchase and maintenance in circulation each year of a larger amount of silver, since the Treasury notes issued under the operation of the Act amounted to about $50,000,000 annually.[1] In the second place the Treasury notes thus issued were made directly redeemable in coin, and under the further statement that it was "the established policy of the United States" to maintain silver and gold "at a parity with each other," the redemption provisions of the Act of 1890 meant that Treasury notes were to be redeemed in gold as long as the Treasury had any gold in its possession. In addition, therefore, to increasing the almost overwhelming burden of silver obligations already carried by the Government, the Sherman Law made it much more difficult to preserve the integrity of these obligations by providing a direct means of redemption, through the operation of which the gold reserves accumulated by the Government for redemption purposes might be quickly withdrawn from the Treasury.

Thus had the silver movement worked itself out by the latter half of the year 1890. When its probable effect is considered in connection with the contemporary state of

[1] The amount of Treasury notes issued each year under the Act of 1890 was as follows:

Fiscal year, July 1.	Treasury notes issued.
1891	$50,577,498
1892	51,106,608
1893	45,531,375
1894	8,715,521
	$155,931,002

international trade and the policy of the Harrison Administration relative to the surplus revenue, it is at once apparent that a precarious future was marked out for the Treasury. To ascertain accurately the nature of the dangerous tendencies at work it may not be amiss briefly to review the salient features of our story up to this time.

The period 1886–90 in the United States, it will be remembered, was marked by a rapid and healthy growth in trade and industrial activity, which called for the flotation of an extraordinary amount of railroad and industrial stocks and bonds. The increasing wealth and population of the country during these same years also led to immense importations of foreign commodities, which were largely paid for in American securities. Through this willingness of our foreign creditors to invest their balances in the United States, we had incurred an unusual amount of indebtedness abroad. This fact in itself possessed no grave elements of danger. Under ordinary conditions, owing to the growing wealth and resources of the country, our indebtedness abroad would have soon adjusted itself through the mechanism of international trade. It was at this point, however, that other factors entered in to cause serious apprehension.

The revenues of the Government had been yielding an excess over expenditures since 1883, and because of the increased customs receipts arising from our heavy importations, this surplus reached extraordinary proportions during the period 1886–90. After the election of 1888 the Harrison Administration attempted to get rid of it in two ways: first, by inaugurating a policy of increased expenditures, and, second, by enacting the McKinley Tariff Law, one of the objects of which was to cut down Government receipts from customs. But the silver wing of the Republican party, which held the balance of power in Congress, was at this time agitating the question of further silver legislation, and, in order to pass the McKinley Law, it was

first necessary to reach an agreement with this faction. Notwithstanding the fact that under the operation of the Silver Act of 1878 the Treasury had experienced difficulty in maintaining gold payments, the protectionist leaders, in return for the passage of the McKinley Bill, gave their support to the enactment of the Sherman Silver Law. This measure not only added a large annual increment to the silver obligations of the Government, but also provided a direct means of redemption for the Treasury notes which it authorized.

The dangerous tendency of this tariff and financial legislation, considered in connection with the existing silver situation, the policy of increased Government expenditures, and the fact of our indebtedness abroad, can scarcely be overdrawn. The Government receipts were to be reduced by the McKinley Law, and, at the same time, the funds already held by the Treasury were to be dissipated by means of heavy expenditures. In the face of this rapid reduction of Government resources, the demand obligations of the Government were to be increased $50,000,000 annually, at a time when the Treasury was laboring under the burden of silver obligations placed upon it by the Act of 1878.

Such was the fiscal policy inaugurated by the Harrison Administration, and as a result of its adoption, it was evident that three ways had been thrown open by means of which the country might be subjected to a financial panic or acute crisis. In the first place, a shock to credit abroad might lead to the return of American securities held by foreign investors. If our foreign creditors employed this means of liquidation to any considerable extent, gold would flow out of the country in payment of our indebtedness abroad, a drain upon the Treasury reserves would be threatened, or actually occur, and would be followed by lack of confidence at home in the Treasury's ability to maintain gold payments. In the second place, the same state of affairs

might result from an adverse change in the course of trade and industry attended by a falling-off in Government receipts from customs and internal revenue taxes. In this event the Treasury gold receipts might be reduced to a point where the preservation of the gold reserve would be endangered. Finally, through a redundancy of silver in circulation, the customs revenue might be made up of an increasing percentage of silver currency which would displace an equal amount of gold, as had happened under the operation of the Act of 1878. If the payments to the Government in silver continued to increase, especially under a policy of increased Government expenditure, apprehension would be felt relative to the ability of the Treasury to make gold payments. As a consequence there would be a further inflow of silver into the customs. Gold would probably be hoarded. The Treasury stock of that metal would also be rapidly depleted by the use of the large greenbacks held by the banks and a financial crisis made imminent. While the condition of affairs in 1890 did not give reason to believe that any one or all of these dangerous tendencies were immediately threatening, at the same time the existing state of affairs made their occurrence possible. They were all within the range of possibility, and might operate singly or in combination.

This, in brief, during the autumn of 1890, was the precarious situation in the United States which had been worked out by the play of various industrial, financial, and political forces during the preceding seven years. With this state of affairs before us, we may now profitably turn aside to glance at the industrial and financial developments abroad during the same period, for the purpose of ascertaining their possible influence upon subsequent events in this country.

CHAPTER III

GROWTH OF SPECULATION IN GREAT BRITAIN AND BRITISH GAMBLING IN ARGENTINA

Depression in British Trade and Industry, 1884–1886. — The Return of Confidence and the Rapid Extension of Investments, 1887–1890. — Outgrowth of Speculation. — The Joint-Stock Company Mania. — The Combination of Breweries and the Organization of Trust and Debenture Companies. — Chilian Nitrate Companies and Australian Land Mortgage and Financial Flotations. — South African Gold-Mining and Diamond Ventures. — The Turn of the Speculative Movement toward Argentina. — The Boom in Argentina Land Values. — Absorption of Cedulas, or Land Mortgage Bonds, by European Investors. — Excessive Issue of Argentine Public Loans. — The Suspension of Specie Payments and the Evil Effects of a Depreciated and Inconvertible Paper Currency. — Total Argentina Liabilities Abroad in 1890. — British Capital Commitments in Argentina. — Total Capital Commitments in Great Britain during the Period 1887–1890. — The Expansion of Credit Transactions and the Precarious Financial Situation in Great Britain in 1890.

In Great Britain, during the seven years preceding the panic of 1890, the trade and industrial situation, although differing in detail, was practically identical in its broader aspect with developments in the United States during the same period. The growing competition of Germany and other nations for the trade both of British and of neutral markets, the high tariffs, bounties, and other restrictive features of the commercial policy of foreign governments, together with a falling-off in the demand for commodities owing to the depressed conditions in other countries, had limited the outlet for British goods during the four years 1883–86 and brought about a sharp decline in the foreign trade of the United Kingdom.[1] The immediate result was a large over-production in many lines of British industry arising from the failure to adjust the supply of goods to the restricted demand. This excess of supply was soon fol-

[1] The falling-off in the foreign trade of Great Britain during the period 1883–86 may be quickly seen from the following table showing the

lowed by a drop in prices and a downward tendency in profits. As a consequence, efforts were made to curtail production. Because of the competition of vessel-owners for cargoes, which was intensified by the decline in British commerce, ocean freight rates during the four years 1883–86 were reduced to a point where they were unremunerative. Ship-building and its allied industries were, therefore, discouraged. At the same time lessened activity was evident in all other branches of industry. Mines were unworked, iron furnaces went out of blast, and much industrial machinery was thrown out of employment. Internal trade decreased, and the traffic receipts of the railroads were greatly reduced.[1] The consequent depression in business and industry during the period 1884–86 affected adversely all classes of the population. A considerable number of laborers were wholly or partially deprived of work, their wages or purchasing power cut down, and another factor added to those which had already caused a sharp decline in the demand for commodities. Prices steadily moved downwards, and profits were reduced to a minimum. Obviously, under these conditions investors were exceedingly cautious in entering into industrial undertakings of any kind, and the new commitments of capital

imports and exports of merchandise. *Statistical Abstract of the United Kingdom*, 1890, p. 47.

VALUE OF THE TOTAL IMPORTS AND EXPORTS OF MERCHANDISE INTO AND FROM THE UNITED KINGDOM

Years.	Imports.	Exports.	Total of Imports and Exports.
	£	£	£
1883	426,891,579	305,437,070	732,328,649
1884	390,018,569	295,967,583	685,986,152
1885	370,967,955	271,474,308	642,442,263
1886	349,863,472	268,959,463	618,882,935

[1] The gross receipts of the railroads in the United Kingdom from merchandise traffic decreased from £38,701,319 in 1883 to £36,370,439 in 1886. *Statistical Abstract of the United Kingdom*, 1890, p. 179.

were small. Funds were allowed to accumulate in the banks until more attractive prospects for their investment were discovered.[1]

This state of affairs prevailed until the latter half of the year 1886, when indications of a trade revival grew gradually more and more evident. This upward tendency, however, was spasmodic and uncertain, and failed to make itself felt in many important branches of industry. Not until the following year, when British trade and industry received a direct impulse from the United States, was a sustained movement toward more prosperous conditions inaugurated.

As a result of the extensive railroad building and the industrial revival in the United States during the year 1887, an unusual demand was made upon Great Britain for iron and steel products, woolen goods, and all other commodities usually purchased by this country. Up to the year 1890, as already seen, the amount of British goods thus absorbed by the United States steadily increased. During the year 1887 India and the East also took a large amount of goods from Great Britain and continued to buy heavily during the three subsequent years. Moreover, during the period 1887–90 Canada, Australia, South Africa and other British colonies, together with the South American countries, were rapidly building railways and developing their natural resources, and their orders for locomotives, bridges, railroad materials, and capital goods and commodities of all kinds were largely placed in the United Kingdom. Under these conditions prices grew higher, profits were increased, and all branches of British industry experienced a steady and prosperous growth. With the

[1] A full account of the condition of British trade and industry during the period 1875–86, together with a discussion of the causes of the existing depression, is contained in the *Report of the Royal Commission on the Depression of Trade* (6 vols.), 1886. A summary of this report is to be found in the *Journal of the Royal Institute of Bankers*, vol. viii (1887), pp. 84–89. See also *The Economist* (London), *Commercial History*, and *Review* (annual supplements) for the years 1884 and 1885.

resultant increase in foreign trade and ocean freight rates, ship-building was also revived, and through its demand for materials an added impulse was given to the iron and steel trade, coal-mining, and other subsidiary industries.[1] During the four years 1887–90 the internal trade of Great Britain was also active, and railroad traffic and bank-clearings showed a remarkable expansion, the London Clearing-House returns for 1890 being larger than in any previous year in its history.[2] Wages were good and labor was fully employed. The entire period 1887–90, in brief, was marked by a healthy growth in wealth and prosperity in Great Britain which not only included within its influence all branches of trade and industry but which also affected in a beneficial way all ranks of society.

Under these prosperous conditions there was a quick return of confidence and a rapid extension of investments. The over-cautious spirit displayed by the investing public during the two years 1884–85 entirely disappeared after the year 1886, and was superseded by almost the opposite extreme. Industrial stocks of all descriptions were offered for sale and taken with avidity by the public. New loans offered by foreign governments were eagerly subscribed for and foreign securities were largely accepted in payment for the large amount of goods exported from Great Britain to the United States, South America, the British Colonies, and other countries. During the entire period 1887–90, the volume of capital commitments by the British public

[1] The total value of British exports and imports increased from £618,822,935 in 1886 to £748,944,115 in 1890. The growth in ship-building during the same period may be seen from the fact that 1185 vessels, with a tonnage of 812,638, were constructed in 1890, as compared with 736 vessels, with a tonnage of 331,328, built in 1886. The total value of coal, pig-iron, and other metals produced in the United Kingdom during 1890 was almost double the amount produced during 1886.

[2] The amounts cleared at the London Bankers' Clearing-House increased from £5,902,000,000 in 1886 to £7,801,000,000 in 1890. Railroad traffic receipts from merchandise in the United Kingdom increased from £36,370,439 in 1886 to £42,220,382 in 1890.

was thus increased by additions from every available source both at home and abroad.[1]

Unfortunately, a large part of these new capital commitments was not placed in safe and conservative undertakings. The steady improvement in trade and industry, in addition to inspiring the country with fresh confidence, had created very favorable conditions for floating new loans and promoting financial and industrial enterprises. Money was plentiful and obtainable from the banks on easy terms.[2] On account of the prosperous condition of affairs, a considerable percentage of the population, including even the laboring classes, had been able to accumulate savings which they were eager to place in some remunerative investment. Moreover, the successful conversion of the national debt of Great Britain during the year 1888 had produced a considerable decline in the rate of interest on all first-class securities, and had stimulated the appetite of the public for new investments. Parliament also had under consideration a legislative measure for the reform of the Companies Act of 1862. Promoters were eager, therefore, to hurry forward new undertakings, in order to take advantage of the facilities of the existing law.[3] Their activity in forming and offering new enterprises to the public was met by an increased power and desire on the part of the public to subscribe for them. The result soon became evident in a departure from the usual standards of investment. The appearance of this tendency was coincident with the revival of trade during the latter half of 1886. During the subsequent period of four years, it developed into a widespread speculative movement which embraced many enterprises of a questionable character.

[1] "Our New Investments in 1890," *The Economist* (London), December 27, 1890, pp. 1627–28.

[2] The average minimum rate of discount charged by the Bank of England was 3½ per cent for 1887, 3½ for 1888, and 3½ for 1889. During many months of these years the rate dropped as low as 2 per cent.

[3] "New Loans and New Companies for 1888," *The Economist* (London), vol. xlvi (December 8, 1888).

The first evidences of speculation became manifest in a mania for organizing private business concerns into joint-stock companies. During the year 1886 alone 110 such conversions were made. This movement gained strength during the following year, and by 1888 it had developed into a craze, which continued throughout 1889 and the first seven months of the year 1890. During the entire period 1886–90, 12,068 new joint-stock companies were registered in Great Britain, with a total nominal share capital of more than one billion pounds. The number of companies registered each year, together with their nominal capitalization, was as follows :[1]

COMPANIES REGISTERED IN THE UNITED KINGDOM DURING THE PERIOD 1886–1890.

Years.	Total Number of Companies.	Total Nominal Share Capital.
		£
1886	1,891	145,850,702
1887	2,050	170,172,674
1888	2,550	353,781,594
1889	2,788	236,520,674
1890	2,789	234,563,237
Total	12,068	1,140,888,881

Some of these new companies represented legitimate industrial undertakings. Others were of a more or less uncertain character, and were the outcome of the over-confident and optimistic attitude of promoters. The conversion of private breweries into joint-stock companies was typical of the latter class of ventures. During the four years 1887–90, the activity of promoters in this direction overran all reasonable bounds. New brewery companies were organized, and private concerns which were already doing business in Great Britain were combined into large corporations. Moreover, during the two years 1889–90,

[1] *Statistical Abstract of the United Kingdom*, 1890, p. 183.

the movement was extended to include similar companies which purchased and operated breweries in Canada, the United States, South America, South Africa, and other foreign countries. As a result of these promotions the element of good-will and the prospective earning power of the business in the future were heavily capitalized. Most of the companies, in fact, were floated under conditions of over-capitalization and a large proportion of the stock issued went into the hands of promoters and underwriters and other persons aiding in the organization. Despite this fact, these speculative securities were eagerly taken by the public, and in many cases during the early development of the movement the allotment of stock for sale was over-subscribed. During the entire period 1887–90, more than £100,000,000 worth of brewery stocks was absorbed by British investors and speculators.[1]

The speculative movement, however, included companies of a much more doubtful character than the brewery flotations. Millions of pounds were subscribed for a multitude of diverse undertakings, the prospects of which in most cases were decidedly questionable. Companies were even organized to promote, underwrite, and speculate in the stocks of other companies. These concerns were popularly termed "trust and investment companies." Their capital stock was issued in small shares, and the effect of their organization was greatly to encourage speculating and gambling among persons of limited means. Many of them were organized for general speculative purposes, and their power of selecting and acquiring stocks was unrestricted. Others were floated for the purpose of dealing in special securities, such as municipal gas and water companies, Spanish and South American railway issues, or

[1] This estimate is based on the returns given *The London Economist* in its annual reviews of commerce and finance. For a full account of the movement for converting breweries into joint-stock companies, see an article entitled "Brewery Companies as Investments," *The Economist*, vol. xlviii, September 6, 1890, p. 1137.

mining and other stocks. The greater number of these investment companies, however, relied principally for their gains on the promotion and underwriting of new companies. The public was deluded by the issue of prospectuses which contained alluring descriptions of new ventures, and in which reputable business men, peers, and members of Parliament were paraded as directors.[1] This policy during the time of active demand for investments met with large profits, since there seemed to be no limit to the credulity of the public. On the other hand, it was evident that if for any reason there should be a decline in the support of speculators and investors, heavy losses would be encountered, for the reason that the funds of the trust companies would be tied up in a large mass of undigested securities which the public would refuse to absorb.[2]

Great activity was thus displayed during the period 1887–90 in promoting financial and industrial undertakings of a speculative character, the prospects of which were based upon the future conditions of industry and trade in the United Kingdom and the more advanced commercial nations. The main current of speculation, however, turned toward the backward and newly opened countries of the world, where the risks of investment were undoubtedly greater, but at the same time the hope of reward correspondingly high. During the two years 1887–88, a land boom which had its origin in a silver-mining craze was in progress in Australia. As a result of appeals for support,

[1] "Some of them [members of Parliament] got their living by this participation in new companies. In the directory of joint-stock companies it may be seen that 26 members of the House of Commons were directors in 213 companies; 23 members of the House of Lords were directors in 122 companies, of which 85 pay dividends, 26 have no net income, and 11 were new in January, 1890. One member of the House of Commons estimated that during the three years 1887–89 180 millions had been drawn from the pockets of investors by the bubbles." "The Crisis of 1890," Max Wirth, *Journal of Political Economy*, vol. i (March, 1893), p. 230.

[2] "New Securities offered in London in 1889," *The Economist*, vol. xlviii (December 14, 1889).

the British public invested large sums in Australian mines. Investment and financial companies were also organized to speculate in Australian real property and mortgages. During the period 1886–90, many new companies of doubtful prospects were also launched in Great Britain for the purpose of exploiting Chilean nitrate deposits. Moreover, mining ventures in foreign countries came in for a large share of speculation.[1] During the five years 1885–89, 1386 companies, showing a nominal capitalization of £181,569,545, were registered in Great Britain for the purpose of exploring and developing mineral lands.[2] Of this class of flotations gold-mining issues were the most numerous. The volume of gold-mining shares offered for sale and absorbed by the public increased each year. From the accompanying table, showing the geographical distribution of gold-mining ventures registered in Great Britain during the three years 1887–89, it will be seen that Africa supplied

Countries.	1889.		1888.		1887.	
	No. of Cos.	Nominal Capitalization.	No. of Cos.	Nominal Capitalization.	No. of Cos.	Nominal Capitalization.
Britain	58	£3,100,400	79	£5,836,325	63	£3,476,200
Europe	32	2,252,850	45	6,556,070	23	1,736,000
Asia	17	1,913,100	14	1,785,000	9	1,562,511
Africa	145	16,651,975	73	10,533,205	42	4,760,500
N. America	66	9,390,200	84	16,531,000	67	12,298,830
S. America	32	4,658,400	31	6,858,600	13	2,660,000
Australia						
New Zealand	28	3,048,500	39	4,563,200	52	7,508,000
Total	378	41,015,425	365	52,663,400	269	34,002,041

[1] For a more complete discussion of the activity of British speculators in promoting companies to operate in new and undeveloped countries, see "The Crisis of 1890," by Max Wirth, *Journal of Political Economy*, vol. i (March, 1893), pp. 225–26. Also "Speculation in Australia and Effect on England," *The Economist* (London), vol. xlvii (May 5, 1888), pp. 564–65.

[2] "The Growth of Speculation in Mining Shares," *The Economist* (London), vol. xlviii (January 11, 1890), p. 369.

more than twice as many projects of this character as any other division of the globe.[1]

The greater majority of the South African gold-mining companies were floated at high prices by promoters and underwriters who, by a manipulation of the markets in South Africa and London, derived large profits from their sale. The shares were generally quoted at small amounts, usually at less than one pound each, and when the companies were not officially recognized by being listed on the London Stock Exchange, their stocks were offered for sale by outside operators. As in the case of the investment companies, every facility was furnished to persons of small resources to gratify their gambling proclivities. Large amounts of stock were absorbed by the public, and under the stimulus of heavy speculation premiums on shares rose to an unreasonable height, ranging from 50 to 5000 per cent.[2] During the same years that this gambling in mining shares was in progress, a similar movement, equal in intensity but less widespread in its influence, was also maintained in South African diamond properties.[3] Furthermore, in the autumn of 1889, when the public seemed inclined to lessen its commitments in gold-mining and diamond shares until a larger measure of the brilliant promises of the promoters had been brought to fruition, professional operators turned their attention to the flotation of land prospecting and exploration companies. As a consequence, a large portion of the speculative public, in defiance of reason and common sense, followed their lead, and the gambling in African securities continued, but with abated force, during the first half of the year 1890.

[1] *The London Economist.* Unfortunately figures are not available for showing the number of companies of local origin, the shares of which came in for the largest amount of speculation. The above table, although it falls short of giving the true condition of affairs, furnishes sufficient data as to the magnitude of the speculation in African gold-mining stocks.

[2] "The South African Diamond Industry," *The Economist* (London), vol. xlv (March 10, 1888), p. 10.

[3] "African Prospecting Companies," *The Economist* (London), vol. xlvii (October 26, 1889), p. 1338.

But British promoters and speculators did not confine their operations to Africa and Australia. The countries of South and Central America came in for an even greater share of exploitation. Mention has already been made of Chilean nitrate companies. As a result of the policy of British exporters, during the period 1887–90, in accepting payment of trade balances in foreign securities, railroad projects in Uruguay, Chile, Mexico, and Brazil were also largely supported by British capital. The outlay in these countries, however, was insignificant in comparison with British capital commitments in Argentina. As early as the year 1875, the attention of Europe had been attracted by the prospect of securing large profits from the development of the rich natural resources of the River Plate territory. Owing to the unsettled conditions of political affairs in Argentina, however, and the cautious spirit which prevailed among European investors, no decisive steps were taken in that direction until the early eighties, when an extended boom in land values had its inception in the southern provinces of that country.

The boom in land values in Argentina was the direct outcome of the reclamation of large tracts of rich territory from the southern Indian tribes by a series of Government expeditions extending through the years 1876–80.[1] In

[1] At the time of the advent of the Avellinda-Alsine party to power in Argentina in 1876, Indian tribes reigned supreme over the vast areas of territory which extended from the southern boundary of the province of Mendoza to the Straits of Magellan. The Minister of War, Alsine, organized expeditions against them for the purpose of driving them southward and thus preventing their foraging trips into the settled regions of the country. After the death of Alsine in 1878, a regular war was organized against the Indians and those who escaped death or slavery were swept into Patagonia. As the result of this policy, the Government soon found itself in possession of a large extent of territory, for the exploitation of which it desired to attract capital and labor.

An excellent account of this period in the financial history of Argentina is to be found in an article entitled "Argentina — Her Past and Present," by John Proctor, *The Bankers' Magazine* (London), vol. li (March, 1891), pp. 461–65. See also *Spanish American Republics*, Theodore Child (New York, 1891), pp. 326–42.

order to facilitate the occupation of these lands, the Argentine Government offered liberal terms to purchasers. The payment for lands taken up were allowed to extend over a series of years, the title being given on the receipt of a certain sum down. Notes of the purchaser were accepted for the outstanding amount. To provide capital for the development of the land an additional scheme was devised, consisting of a system of National and Provincial Mortgage Banks.[1] These banks acted as intermediaries or agents between landowners wishing to mortgage their property and people who were willing to lend their money on landed security. The landholder who wished to secure a loan deposited his titles at a mortgage bank and the bank made a valuation of his estate, and cedulas or bonds of the bank were then issued to the landowners up to half the value of his property. These bonds carried a certain rate of interest for which the landowner was responsible until his titles were redeemed by an annual rate of amortization of the amount borrowed from the bank. Funds were realized by the landowner through the sale of the bonds or cedulas in the open market. The payment of the interest charges was guaranteed to the purchaser by the banks, and the ultimate redemption of the bonds was guaranteed by the state and provincial governments. Persons who were non-residents, and who had no means of verifying the security of any particular land investment were thus enabled to become lenders on Argentine real estate.[2]

In outward form, this was a most useful scheme, and cedulas were to all appearances as sound securities of their kind as could have been devised. The system had many serious defects, however, and the sequel showed that its adoption amounted almost to a curse to the country through the stimulus it gave to insane land speculation.

[1] The National Mortgage or Hypothecary Bank was operated by the National Government; the Provincial banks were under the control of the Government of the Province of Buenos Ayres.

[2] "The Argentine Crisis — Its Development," Henry B. Collander, *The Fortnightly Review*, vol. liv (1899), p. 441.

Persons who could get together a sufficient amount to pay the first installment on the land purchased from the Government, secured their titles, which they then pledged to the mortgage banks for as large an amount as they could obtain. With these funds payments were made to cover further installments on the land as they fell due, until the land could be sold at an enhanced price consequent upon the general rush for land investment. The original purchaser then moved onward and repeated the same operation. As a result, land constantly rose in value, and as no restriction had been placed on the power of the banks to issue cedulas, loans were freely made on a boom basis.

In the second place, the legitimacy of the cedulas issued presupposed rigorous honesty on the part of the banks and the Government. As a matter of fact, however, Argentina was honeycombed with corruption. A coterie of politicians and their henchmen had complete control of the national and provincial governments, and under the guise of politics carried on a scramble for loot. It was therefore an easy matter for a supporter of the party in power, or a member of the political ring, to obtain loans on worthless property. Fraudulent and fictitious valuations were made by the banks and large amounts of the cedulas issued rested upon no real basis of value.[1]

The issues of national and provincial cedulas up to the year 1887 were comparatively moderate. After that date, under the combined influence of private speculators, Government officials, and politicians, the land boom was rapidly extended and clever financiers found a market for the sale of cedulas in Great Britain and on the Continent. Foreign investors seemed to be seized with a mania for this form of security. Series after series, from A to P, were issued by the banks and quickly absorbed by credulous Europeans, who were ignorant of the true state of affairs and who argued

[1] "Gaucho Banking," W. R. Lawson, *The Bankers' Magazine* (London), vol. li, January, 1891, pp. 33–52.

that the cedulas were a better investment than Government bonds for the reason that in addition to the guarantee of the state and provincial governments they were backed up by real estate.[1]

European investors, however, did not limit their activities to the purchase of cedulas. The Argentine Government was besieged by European promoters and financiers for concessions to construct railroads, docks, waterways, municipal improvements, and every description of public enterprise. Many of these projects were undoubtedly of a legitimate character, and necessary to the development of the country. But the movement in this direction soon exceeded all reasonable bounds. Railroads were built which could not pay operating expenses for years to come. Other industrial undertakings were entered into under the allurement of the existing inflation in values and the prospect of the country's growth in wealth and population in the future. Public works of all kinds were also constructed without taking into account the real wealth and taxpaying power of the community. The fever of speculation, in short, arising from the inflation of land values soon developed into an insane rush for wealth, and with the growth of confidence in Argentine resources European capital was literally poured into the country.

In addition to the private commitment of capital by foreign investors, the Argentine Governments also, as a result of the demand for public works and of the governmental policy of guaranteeing interest charges on railroads and other industrial projects, soon found it necessary to largely increase their indebtedness. The national and provincial administrations negotiated loans by the dozen through European financial houses. Many municipalities also tried their hand at extracting from the foreigner the

[1] As early as April, 1888, the cedulas issued amounted to 47,957,000 pounds. By the year 1890 the face value of cedulas outstanding was equal to 400,000,000 currency dollars, of which amount about one half was held by foreign investors.

funds from which he was so willing to part. During the three years prior to 1886, various loans effected by the Argentine Republic in European countries had never exceeded an annual total of £7,000,000 and were generally much below this amount. The total borrowings in 1886 rose suddenly, and during the three subsequent years reached unprecedented figures.[1] The extent to which public borrowing was carried may be seen from the following estimate of the total loans during the period 1886–89:

TOTAL OF LOANS NEGOTIATED BY ARGENTINA, 1886-1889.

1886	£13,500,000	1889	£29,000,000
1887	14,500,000	1890	5,000,000
1888	36,000,000	Total	98,000,000

The negotiation of these loans had a twofold effect. In the first place, the funds realized furnished a further incentive to Government extravagance and official corruption. In the second place, they gave an additional impulse to the existing speculation. To make matters worse, the country was soon plunged into the evils resulting from a greatly depreciated currency.

Specie payments in Argentina had been suspended in 1885. Two years later an attempt was made in the Free Banking Law of 1887 to put the currency of the country on a uniform basis, by the adoption of a national banking system modeled after that of the United States. The head of this system was the National Bank at Buenos Ayres, with branches located in the various provinces. These banks were authorized to create a paper circulation, and to guarantee the notes thus issued the banks were required to purchase from the Government national bonds. The payments for these bonds were to be made in gold, which was to be kept in the Treasury as the ultimate security of the currency issued by the banks. In compliance with the law, millions of dollars in gold were imported by the provincial

[1] *The Bankers' Magazine* (London), vol. li (March, 1890), p. 459.

banks and duly paid into the National Treasury as a guarantee of their note issues. The National Government kept the gold for about a year, when, in defiance of the banking law, the fund was used for the payment of Government obligations. As soon as gold began to leave the Treasury the premium on that metal went up by leaps and bounds. Additional apprehension over the currency situation was also caused by the fact that even Government officials could not give an accurate account of the amount of notes which had been issued by the banks. It was stated to be between 250 and 300 million dollars, but these estimates were soon invalidated by the discovery that illegal issues of millions had been made by both national and provincial institutions. Under these conditions the premium on gold during the two years 1888–89 advanced from 50 to 250 per cent., and during the year 1890 practically remained at the latter figure. The Government endeavored to prevent the depreciation of paper issues by declaring a forced currency, but this action only served to stimulate further speculation in gold. The resultant variations in the currency affected the interests of every one financially concerned in the development of the country, and especially the holders of cedulas and other securities which were payable in currency dollars. These dollars after the dissipation of the gold guarantee fund had no real basis of value, and the finishing touches were thus given to cedulas as a wildcat security.

The financial orgy in Argentina during the period 1887–90 had thus developed to a point where the country was burdened with an immense circulation of inconvertible and depreciated paper currency, an excessive and fraudulent issue of cedulas, and a large public indebtedness. The significant feature of these various forms of Argentine liability, so far as our story is concerned, was the fact that they were principally in the hands of foreign investors. The enormous amount of foreign capital invested in the country is at once apparent from the following statement,

showing the principal items of Argentine indebtedness held abroad in 1890:[1]

ARGENTINE LIABILITIES ABROAD, 1890.

	Gold Dollars.	Currency Dollars.
National Debt	122,283,000	
Provincial	193,500,000	
Municipal	23,600,000	
Cedulas (say)		200,000,000
Railways	250,000,000	
Miscellaneous and Private Investments	200,000,000	
	789,443,000	200,000,000
Gold liabilities in currency, at 300 gold premium		2,368,329,000
Total liabilities in currency		2,568,329,000

The total indebtedness of Argentina in 1890, both at home and abroad, was as follows:

TOTAL ARGENTINE LIABILITIES, 1890.

	Gold Dollars.	Currency Dollars.
National Debt	300,000,000	1,153,000
Provincial	195,500,000	13,600,000
Municipal	23,660,000	
Cedulas		400,000,000
Railways	250,000,000	
Miscellaneous and Private Investments	200,000,000	
	967,160,000	414,753,000
Gold liabilities in currency, at 300 gold premium		2,901,480,000
Total liabilities in currency		3,316,233,000

The greater part of this Argentine foreign indebtedness of over one thousand million dollars (in terms of gold)

[1] "The Argentine Crisis — Its Financial Significance," by W. R. Lawson, *The Fortnightly Review*, vol. liv (September, 1890), p. 459.

was held in Great Britain. The appearance of speculation in Argentina, as already noted, had been coincident in point of time with the outgrowth of speculative tendencies in the United Kingdom, and the two movements had subsequently run parallel with each other. Consequently a steadily increasing volume of investment funds passed to the River Plate through British banks, finance companies, and private channels. Reputable financial houses in Great Britain, like the old established firm of Baring Brothers, underwrote Argentine public loans and disposed of them to the British public. Thirteen Argentine provinces during the period 1886–90 exploited their credit in London to the extent of £38,700,000, the National Government negotiated loans amounting to almost £25,000,000, and Argentine municipalities floated about £5,000,000 of their securities in London. British investors also placed between forty and sixty million pounds sterling in Argentine railroad projects, and a similar amount in miscellaneous investments.[1]

The grand total of British capital commitments in Argentina, therefore, reached an immense figure. Considered in connection with the concomitant speculation at home and in South Africa, the enormous extent of the British speculative movement during the four years 1887–90 is clearly evident. Its magnitude may be more clearly realized from a summary statement of the total capital commitments in Great Britain during this period:[2]

TOTAL CAPITAL COMMITMENTS IN GREAT BRITAIN, 1887–90.

	1890	1889	1888	1887
1st Quarter	£30,243,000	£56,846,000	£34,691,000	£28,599,000
2d	59,510,000	49,866,000	74,957,000	35,535,000
3d	39,103,000	34,526,000	22,951,000	16,059,000
4th	13,709,000	48,198,000	27,570,000	17,873,000
	142,565,000	189,436,000	160,169,000	158,066,000

[1] "The Argentine Crisis — Its Financial Significance," by W. R. Lawson, *The Fortnightly Review*, vol. liv (September, 1890), pp. 448–51.
[2] "Our New Investments in 1890," *The Economist* (London), vol. xlviii (December 27, 1890), pp. 1627–28.

Great Britain had thus invested a large percentage of the increased wealth which had accrued from her prosperity in trade and industry during the four years 1887–90 in enterprises of a speculative character. In addition there had been a large expansion of credit, in which many of the transactions had been of an abnormal character based upon inflated and speculative values. Financial houses had underwritten large amounts of securities and relied upon their sale to the public for reimbursement. Individual investors, in many instances, had not only placed their savings in questionable investments, but had also used securities of doubtful value as collateral for loans with which to continue their speculating operations. A stimulus had been given to this movement by the joint-stock banks, which had followed the policy of loaning at a moderate rate up to a reserve-point of 10 or 12 per cent. of their liabilities, and then depending upon the Bank of England for any funds which might be needed to replenish their reserves.[1] On account of this action upon the part of the joint-stock banks, the Bank of England could not retain its holdings of gold, and oftentimes found it

[1] The following summary statement of some of the strongest joint-stock banks at the end of December, 1890, shows the smallness of their cash reserves as compared with their liabilities.

	Liabilities to Public.	Cash in Hand and at Bank.	Proportion of Cash to Liabilities.
	£	£	%
London and Western	26,958,600	3,984,200	14.8
Union	16,809,700	2,814,400	16.8
London Joint-Stock	14,155,100	1,165,700	8.1
City	9,677,300	783,300	8.1
London and Southwestern	4,897,600	721,800	14.8
London and County	39,296,100	4,981,700	12.7
Imperial	4,251,000	421,600	9.9
Alliance	5,403,300	594,300	10.9
Consolidated	3,789,800	621,300	16.3
	125,238,500	16,088,300	12.9

necessary to raise the rate of discount for the purpose of securing an increase in the gold supply. As a result of the excessive speculation the credit transactions of the United Kingdom finally increased beyond a safe proportion to the gold reserves. On December 31, 1889, the directors of the Bank of England were forced to raise the rate of discount to six per cent. As a result of this decisive action, the speculation movement was greatly curbed and a great many bubbles collapsed at their inception. There was no thorough purging of the financial system, however, and it was clearly evident that any further shock to confidence might result in a fall in values and great losses. In the event of such a forced liquidation, it was extremely doubtful whether the real values which underlay the speculative movement would sustain the fabric of credit which had been reared upon them.

CHAPTER IV

INDUSTRIAL AND FINANCIAL CONDITIONS IN FRANCE AND GERMANY, 1884–90

Trade and Industrial Depression in France, 1884–87. — Return of Prosperous Conditions in 1887, and the Organization of the Copper Syndicate. — Failure of the Copper Syndicate and the Société des Métaux. — Suspension of the Comptoir d'Escompte. — Absence of Speculation in France, 1889–90. — The Spread of Speculation from Great Britain to Germany. — German Capital Commitments in Argentina. — The Joint-Stock Company Mania. — The Threatened Danger of a Panic averted by the Reichsbank. — Financial Situation in March, 1890.

THE financial and industrial history of France during the period 1884–90 did not show any features in common with the course of affairs in Great Britain. By the year 1880 France had so fully recovered from the Franco-Prussian war that stock-jobbing and other forms of reckless speculation flourished in Paris. This movement came to a head during the year 1882 in a disastrous financial breakdown, and the resultant liquidation was attended by much loss and the uncovering of many corrupt financial practices. A lack of confidence and activity in business and industrial undertakings followed. This fact, together with the existing depression in other countries, strongly influenced the subsequent course of French industry and trade, and it was not until the year 1887 that signs of relief from the continuous period of stagnation began to make themselves evident.

The revival in trade and industrial enterprise was followed by more prosperous conditions. Unfortunately, investors and promoters were unable to confine their energies to proper channels. To the legitimate activity in financial

and industrial circles there was soon added a gigantic scheme for speculating in the price of copper.

As a result of the discovery of the copper deposits on Lake Superior and in other regions of the United States and South America, and the reopening of the Rio Tinto mines in Spain, the world's supply of copper had been enormously increased. The price, therefore, had steadily fallen.[1] French capitalists had obtained control of the Rio Tinto Company, and, under their management it had become very prosperous. The Société des Métaux, a company formed with the support of the Comptoir d'Escompte, also dealt extensively in copper.[2] The directors of the Société des Métaux, being led astray by the success of the diamond operations in South Africa, sought to monopolize the sale of copper. Under their direction a syndicate of speculators was formed which attempted to control the copper market by buying the entire output of the mines at a fixed price. Contracts were made with the principal copper works of the world, which agreed for the space of three years to sell all their copper to the syndicate at £70 per ton, the copper ring then raising the price to £80 per ton. These contracts involved the purchase of 150,000 tons of copper per year, or an annual outlay of 262,500,000 francs. In addition, the syndicate, in order to successfully control the supply, had to buy the output of mines which had refused to contract with it.

During 1888, the first year of the copper ring's operation, it found its object frustrated by several factors to which it had not given sufficient consideration in forming its plans. In the first place, the supply of copper, under the stimulus of higher prices, was greatly increased. New supplies of the metal came into the market from every direction to profit by the high prices, the world's production of copper

[1] Before 1870 the price of copper had ranged from 2000 to 2500 francs per ton. In 1887 it was below 1000 francs.

[2] In the autumn of 1887 the Société des Métaux, with the aid of a group of financiers, conducted a successful corner in Chile bars.

in 1888 being 500,000 tons greater than the preceding year. In the second place, people would not buy copper at the enhanced prices. In many cases old copper was used by manufacturers. Wherever possible iron and steel were substituted. Moreover, copper dealers would not replenish their stocks. As a consequenee of this limitation of demand in the face of an increase in the supply, the copper speculators, in order to maintain the high level of prices, found it necessary to hoard their supplies of copper and purchase a great amount of the outside production. At the beginning of March, 1889, the syndicate held, in various parts of the world, 160,000 tons of copper.

In accumulating this amount not only the resources of the Société des Métaux had been exhausted, but even the entire capital and part of the deposits of the Comptoir d'Escompte, which had rendered assistance to the copper speculators.[1] This institution had also guaranteed the contracts of the Société des Métaux for two years. When the insolvent condition of the bank became known early in March, through the attempted withdrawal of the Russian Government deposits, other depositors endeavored to withdraw their funds, and a general run upon the Comptoir d'Escompte and two other Paris banks was precipitated. The leading bankers of Paris advanced 25,000,000 francs, but this sum was not sufficient. Finally the Bank of France took over the assets of the Comptoir d'Escompte, and, in order to prevent a general financial panic, advanced 100,000,000 francs toward meeting its liabilities. In the mean time, the copper syndicate found itself without means to absorb the increasing supply of copper. Consequently it could not keep its contracts, and the large producers began to sell in the open market. The price of copper, therefore, quickly moved downwards. Under these conditions the

[1] The Comptoir d'Escompte had involved in the copper speculation not only its capital of 80,000,000 francs, but even its reserve funds of 20,000,000 francs.

copper speculators sustained great losses. The Société des Métaux could not meet its obligations. Finally, during the latter part of March, 1889, it was forced to suspend payments, and the shareholders lost all their capital.

Two months previous to the failure of the Comptoir d'Escompte and the Société des Métaux, work had been suspended on the Panama Canal, and the canal company, which had absorbed 1300 million pounds of French capital, was forced into liquidation. As a result of these two almost simultaneous financial catastrophes, France was deterred from entering into the speculative activity which was so prevalent in England during the period 1888–90. These years were spent by France in putting her financial house in order, and were marked by the endeavor to liquidate past excesses and recuperate past losses. The French people were very cautious in entering into new enterprises of any kind, and only a small amount of Argentine issues or other securities of a doubtful character were absorbed by French investors. Consequently there was no inflation of values, and the cash reserves were ample in comparison with the credit transactions of the country. This fact is apparent from the condition of the Bank of France during the period:[1]

BANK OF FRANCE, 1886–90.

First week of January.	Assets.		Liabilities.		
	Coin and Bullion.	Discounts and Advances.	Circulation.	Government Deposits.	Other.
	£	£	£	£	£
1886	89,344,000	55,771,000	116,542,000	3,250,000	16,107,000
1887	94,117,000	53,014,000	115,101,000	9,238,000	14,410,000
1888	91,905,000	52,703,000	113,588,000	6,006,000	15,278,000
1889	89,223,000	59,190,000	110,606,000	9,650,000	17,588,000
1890	100,155,000	60,419,000	126,209,000	12,818,000	13,112,000

[1] During the period 1885–90 the trade and industrial situation in Austro-Hungary gave no indication of unusual activity, owing to the fact that the country had never fully recovered from the evil effects of the

The situation in Germany, however, was entirely different from that in France. The speculating movement at its very outset was communicated from London to Berlin, and after the year 1887, although the German capital commitments were not so great in amount, the gambling mania was as prevalent in Germany as in Great Britain. As early as 1886 Argentina began to exploit its credit in Berlin, and during the three subsequent years a considerable amount of Argentine loans were issued at good prices, through the Deutsche Bank and the Disconto-Gesellschaft. The amount and description of Argentine public securities thus floated in Germany during the period 1886–89 appears in the following summarized form:[1]

ARGENTINE LOANS ISSUED IN GERMANY.

5 per cent. loan of the Province of Buenos Ayres, issued October 12, 1886, at 80½ per cent.	$12,511,432
5 per cent. gold loan of 1886, issued August 25, 1887, at 90 per cent.	10,291,000
4½ per cent. loan of 1888, issued October 16, 1888, at 85.80 per cent.	19,769,500
4½ per cent. exterior loan, issued February 20, 1889, at 90 per cent.	27,000,000
4½ per cent. loan of the City of Buenos Ayres, issued May 1, 1889, at 86 per cent.	9,920,600

The German people were trained to look upon Argentine loans as first-class securities, and many small investors bought them. Large amounts of other Argentine paper, such as cedulas and railroad stocks and bonds, were also purchased. Moreover, German banking houses, led by the Deutsche Bank, established branches in Argentina and extended credits to Argentine banks.[2]

The public became uneasy in 1888, however, over the future of Argentine finances, and during the following

crisis of 1873. Austro-Hungary was also more of a debtor than a creditor nation, and consequently was not in a position to indulge in the speculative activity which had been a marked feature of the years 1887–90 in Great Britain.

[1] *The Economist* (London), vol. xlviii (November 29, 1890), p. 1511.

[2] The Deutsche Bank was a partner in the Uebersee Bank at Buenos Ayres; the Disconto-Gesellschaft was also a partner in the Du Barry banking concern of Buenos Ayres and Antwerp.

year Germany was a heavy seller of Argentine securities. The volume of Argentine paper which still remained in the hands of German investors at the close of the year 1890 was estimated at about 100,000,000 marks.[1] These securities were principally held by small investors who were scattered over the country.

But whatever evils of speculation Germany escaped through her distrust of Argentine securities were more than equaled by her gambling in industrial shares. After the year 1888, when Argentine issues first began to be looked upon with suspicion, German operators turned their attention toward the promotion of financial and industrial enterprises. Precisely as in Great Britain, this movement soon developed into a mania for the organization of joint-stock companies. During the period 1886–90, 1061 new companies were floated, with a total capitalization of more than 1099 million marks. The number of companies organized each year, and the total capital authorized was as follows:[2]

NUMBER AND CAPITAL OF JOINT-STOCK COMPANIES ORGANIZED IN GERMANY, 1886–90.

Year.	Number of New Companies.	Capital — Million Marks.
1886	113	103.94
1887	168	128.41
1888	184	193.68
1889	360	402.54
1890	236	270.99
Total	1061	1099.56

[1] *The Economist* (London), vol. xlviii (November 29, 1890), p. 1511. In a statement of the Deutsche Bank issued during the first week of December, 1890, its commitments in Argentina appeared as follows: Credits extended to Argentine banks, 2,451,000 marks, of which amount 2,000,000 marks were uncovered; investments in Argentine loans and syndicates, 3,395,000 marks.

[2] "The Crisis of 1890," Max Wirth, *Journal of Political Economy*, vol. i (March, 1893), p. 228. See also "The Earnings of German Companies, 1887–89," *The Economist* (London), vol. xlviii (December 20, 1890), p. 1605.

These new companies included all branches of financial and industrial enterprise. Existing industries and business of every description were combined into joint-share corporations, and new projects were constantly being floated. The same reckless financial methods were also practiced that had marked the joint-stock company craze in Great Britain. The future condition of trade and industry was heavily discounted, and upon this basis of earning power the amount and value of the stock was fixed. Almost all of the companies were over-capitalized, and a large percentage of stock was retained by promoters and vendors as a reward for their services.

Despite these conditions of organization, promoters experienced no difficulty in disposing of new issues to investors. The gambling proclivities of the public increased each year after 1887. Investors were seduced by radiant prospectuses of new ventures, and the stock of companies of decidedly questionable prospects was quickly absorbed. The volume of credit operations was dangerously extended. Swindling went on unblushingly. Promoters and underwriters devoted all their energies to the flotation of new undertakings, and then sold their own holdings, leaving the companies in the hands of investors who knew little or nothing of the business which they represented. As a consequence large numbers of the new ventures failed, and it soon became evident that unless the insane speculation was checked, the country would be exposed to the danger of a financial collapse.

The first note of warning came from the Reichsbank. This institution, however, adopted a policy entirely different from that of the Bank of England under similar circumstances in Great Britain. Its discount rate, which had stood at five per cent. during the first two months of 1890, was suddenly lowered to four per cent. during the month of March. An opportunity was thus given to investors to obtain funds without throwing their holdings upon the

market, and in this way preventing a forced liquidation and a consequent collapse in values. They were not slow in availing themselves of the lowered rates, and the loans and note issues of the bank rapidly increased.[1] During the month of March the Reichsbank increased its discounts and advances £7,755,000 and its note issues £7,376,000.

The threatened danger of a financial panic was thus averted. But the effect of the action of the Reichsbank was only temporary. No permanent disposition had been made of the great mass of credit obligations and the inflated values which had grown out of the previous speculation. They still constituted a menace to the future prosperity of the country, and the indications were that a considerable period of time would be required for their liquidation.

[1] The condition of the Reichsbank during the first week of January of the three years 1887–89, and during the first week of January, February, March, and April, 1890, appears in the following statement:

		Assets.		Liabilities.		Bank Discount Rate.
		Coin and Bullion.	Discounts and Advances.	Notes.	Deposits.	
		£	£	£	£	%
1887	Jan.	33,815,000	30,286,000	48,325,000	13,742,000	5
1888	"	38,342,000	32,404,000	50,527,000	16,648,000	5
1889	"	43,016,000	28,143,000	53,745,000	14,526,000	4½
1890	"	38,251,000	35,204,000	50,684,000	19,590,000	5
	Feb.	39,265,000	27,176,000	48,063,000	14,689,000	5
	Mar.	41,124,000	28,770,000	45,204,000	20,815,000	4
	Apr.	40,152,000	36,525,000	52,580,000	20,006,000	4

CHAPTER V

THE PANIC OF 1890

The Financial Breakdown in Argentina. — The Resultant Liquidation in Great Britain. — The Baring Failure. — Measures adopted by the Bank of England. — Decline in Value of All Descriptions of Securities. — Forced and Voluntary Liquidation in Great Britain. — The Effects of Conditions in Great Britain upon German Money and Stock Markets. — The Financial and Industrial Situation in France during the Fall of 1890. — The Return to the United States of American Securities held in Great Britain, and the consequent Exports of Gold from the United States. — The Low Level of Bank Reserves in the United States. — Severe Stringency in the New York Money Market and the Issue of Clearing-House Certificates. — Decline in Stock Values. — Business Failures in the United States during 1890. — Continued Return of American Securities by Great Britain during the year 1891 and Exports of Gold from the United States.

THE financial situation in Germany and Great Britain during the early months of 1890 was, therefore, exceedingly precarious, owing to the reckless speculation which had prevailed in both of these countries, and especially in Great Britain during the previous four years. The action of the Bank of England, however, at the beginning of the year in raising the rate of discount, as already seen, had exercised a restrictive influence upon British financial excesses. A period of comparative ease and quiet succeeded which lasted until about the middle of the year. At that time the financial troubles in Argentina reached an acute stage, and through their influence upon Great Britain brought financial affairs in that country to a critical stage. The dissipation of the gold reserve, which had been deposited with the Government by the Argentine banks as a guarantee of their note issues, had been followed, as already pointed out, by a lack of confidence in Argentine paper currency, and a consequent rise in the premium on gold, which ranged from 200 to 250 per cent. during the early part of the year 1890. Under these conditions great difficulty was experienced in carrying on the Argentine

Government. The interest charges on cedulas, together with that on national, provincial, and railroad bonds held abroad, required the annual remittance to Europe of about £7,500,000 in gold.[1] Moreover, the annual indebtedness of Argentina abroad was further increased by the fact that her merchandise imports exceeded exports. No gold was produced in the country, and, under the system of depreciated paper currency, none was received by the Government in the payment of taxes. Consequently, it soon became evident to public officials in Argentina that the only way to avoid default of payment on Government obligations was to negotiate fresh loans in Europe for the purpose of paying interest charges on previous issues. This recourse, however, owing to the growing suspicion of European investors, became more and more difficult. An acute crisis was therefore soon reached in Argentine finance. Through its influence a political revolution was inaugurated which in July, 1890, swept the existing administration out of power.

This change of Government, as might be expected, weakened what little confidence there was left in Great Britain as to the stability of Argentine finance. British investors refused to place any more funds in Argentina, and the price of Argentine securities steadily declined. Consequently the English financial houses which had been floating Argentine loans found themselves in a position of great difficulty. Large masses of securities which they had underwritten, and which they had hoped to sell to the public at a profit, remained in their hands. On account of the fall in value of these securities it was impossible to sell them except at a ruinous loss. For the same reason it was impossible to use them as a collateral for loans. The capital invested was, therefore, locked up, and in order to secure funds to carry on their business, British financial houses

[1] "The South American Financial Crisis," *The Bankers' Magazine* (London), vol. 50 (August, 1890), p. 1254.

were forced to sell consols, American railroad stocks and bonds, and other good securities. These transactions quickly attracted attention, and rumors soon became prevalent as to the embarrassment of different firms in London. To make matters worse, about this time there was a collapse in the South African gold-mining companies, followed by the failure of several South African banks. This disaster caused a further drop in stock values. At the same time the financial houses which had been active in promoting mining companies found themselves in possession of a large mass of undigested securities, and in order to protect themselves were compelled to add to the existing alarm by throwing good securities upon the market. Under these conditions, the rumors as to the solvency of various financial houses which were known to be interested in Argentina and South Africa became persistent. The distrust thus generated gradually deepened until a climax was reached on November 15, 1890, when it was announced that the great firm of Baring Brothers and Company had been compelled to close its doors.

The embarrassment of this old-established banking house was due to the fact that it had not taken proper care to keep its assets in a liquid form. It had locked up so much capital in South American securities, and had come under such serious obligations in respect to these, that it did not have funds to meet current liabilities. As late as 1889 Baring Brothers had underwritten part of an Argentine loan for nearly £8,000,000 which the public had refused to absorb.[1] The immediate cause of the failure of the house was due to the insistence of the Argentine Government on its pound of flesh. The Argentine public officials had a lever against Messrs. Baring Brothers in the shape of a liability on the part of that firm to provide about £6,000,000

[1] During the period 1881–89 it was estimated that Messrs. Baring Brothers, together with the Spanish house of Murietta, had put out £42,000,000 in Argentine securities. Of this sum £20,000,000 was issued in 1888.

for the Buenos Ayres Drainage and Water Works. The Argentine Administration proposed to compound this liability on the condition that Baring Brothers would negotiate a new loan for the purpose of meeting Argentine liabilities in Great Britain. Baring Brothers, as a prerequisite to the granting of the loan, demanded a sharp supervision over financial affairs in Argentina.[1] The Argentine officials resented such an interference, and pressed their claims against the house.

Fortunately, at this critical juncture Baring Brothers and Company acted with the utmost discretion. As soon as they discovered that they would have to suspend payments, they disclosed the state of their affairs to the directors of the Bank of England. The matter was kept secret, and pending an examination of the books of the concern, measures were taken to prevent disaster when the public were informed. After an investigation, the assets of the Barings were found to exceed their liabilities, and on the 14th day of November the chief bankers of London were called in to a meeting at the Bank of England, to take counsel over the situation. Those present, having received accounts of Messrs. Barings' position, agreed to guarantee the solvency of the firm up to £4,000,000. Later in the evening boards of directors of banks and joint-stock companies held similar meetings. By the following day, when the Baring embarrassment was made public, the guarantee fund had risen to £15,000,000, or almost double the amount necessary to stave off a forced liquidation.[2] The affairs of the firm were placed in charge of the Governor of the Bank of England, and that institu-

[1] Baring Brothers demanded: (1) that the Argentine Government should not make any unnecessary concessions, (2) that it should not float any additional loans for 10 years, and (3) that no more notes should be issued. A further promise of a strictly economical administration was demanded.

[2] For the conditions under which this guarantee was extended see *The Bankers' Magazine* (London), vol. 50 (December, 1890), pp. 1933–1934. Also, "The Liquidation of the Barings," *The Economist* (London), vol. 47 (November 22, 1890), pp. 1465–1466.

tion made an immediate advance of £7,000,000 to cover the liabilities. At the same time the Bank of England adopted precautionary measures relative to its gold reserve. An arrangement was made with the Bank of France for a loan of £3,000,000 in gold on the security of Treasury bills, and an additional sum of £1,500,000 of that metal was secured from the Russian Minister of Finance by the sale of Treasury bonds.

By the adoption of these measures of precaution a general financial breakdown was averted. Still credit received a severe shock. On November 7 the Bank of England discount rate was advanced to 6 per cent. and remained at that figure until early in December. The joint-stock banks, on account of their apprehensions over the situation, for a short time began to curtail their loans and discounts, and it was finally necessary for the Governor of the Bank of England on November 19 to caution some of the leading bankers that in refusing their customers the usual facilities for borrowing, they were taking the sure means of undoing all that had been done to restore confidence. The Spanish house of Murietta and Company

NUMBER OF COMPANIES PUT INTO LIQUIDATION.[1]

Companies.	1890.		1889.	
	Compulsory Liquidation.	Voluntary Liquidation.	Compulsory Liquidation.	Voluntary Liquidation.
Banking	3	17		7
Commercial	77	486	82	431
Manufacturing	35	195	49	175
Total England	115	698	131	613
Scotland	1	48	1	44
Ireland	5	19	1	15
Total United Kingdom	121	765	133	672

[1] *The Economist* (London), vol. xlix (January 3, 1891), p. 10.

had to be sustained, and other financial houses which had issued South American securities had to be assisted by friends. While the number of bankruptcies in the United Kingdom during the year 1890 was less than those for 1889, there was a decided increase in the number of commercial and financial companies that went into liquidation. The statistics for the two years are shown in the table on the preceding page.

This forced and voluntary liquidation, together with the excited condition of investors and operators, caused a decline in all departments of the stock market. Securities shrank in value so greatly that much, if not all, of the previous inflation was swept away. Even first-class se-

THE STOCK MARKET. STATISTICS OF PRICES

	Prices.		
	End Dec. 1890.	End Dec. 1889.	Rise or Fall in 1890.
New 2¾ % Consols (Goschen's)	95⅞	97½	− 1⅝
New 2½ % Consols (Goschen's)	92½	94¾	− 2¼
Colonial Inscribed Stocks —			
Canada, 3½ %	103	105	− 2
Cape, 4 % (1883)	108	110½	− 2½
Queensland, 4 %	107	111½	− 4½
Home Corporation Stocks —			
Metropolitan Consolidated, 3½ %	109¾	112¾	− 3
Birmingham, 3½ %	107½	110¾	− 3¼
Home Railway Stocks —			
Caledonian	119	129	−10
London and Northwestern	177½	181¾	− 4¼
North-Eastern Consols	165⅝	175⅜	−10⅜
American and Canadian Railway Shares —			
Central Pacific shares	30	35½	− 5½
Illinois Central shares	100	122	−22
New York Central shares	103	111½	− 8½
Pennsylvania R. R. 850 shares	51½	54¾	− 3¼
South American, etc., stocks —			
Argentine, 5 %, 1886	77½	94	−16½
Buenos Ayres, 6 %, 1882–86	68½	99	−30½
Guatemala, 4 %	47	62	−15
Uruguay, 5 % Unified	51½	73¼	−21¾

curities were seriously affected in the downward rush of the market.[1] The inflated South American and other speculative issues, however, came in for the largest amount of depreciation. This fact appears from a comparison of the quotations of some of the leading stocks on December 31, 1889, with the quotations of the year previous.[2] (See table on p. 68.)

The fall in the prices of good securities was principally due to the efforts of investors and financial houses to protect their speculative holdings. The process of selling first-class securities in order to prevent the sacrifice of speculative shares, as already seen, had been going on steadily during the first three-quarters of the year. After the failure of the Barings and the consequent liquidation and the collapse of inflated values, underwriters and financial institutions found it more and more difficult to carry the large mass of securities which they had been unable to foist upon the public. As calls upon them fell due, and as fresh margins, owing to the decline in prices, had to be supplied, it became necessary to throw on the market a constantly increasing amount of salable securities such as consols and the shares of first-class home corporations. Considerable funds were also realized from the sale of the stocks and bonds of railroads in the United States. The continued offering for sale of securities of this character, at a time when there was an unusually active demand for money, not only resulted, as might be expected, in a decline in their value, but also contributed to the general depression of prices in the stock market.

This downward tendency of stock values was strongly reflected in the German market. The amount of German capital commitments in Argentina, as already seen, had been steadily decreasing since the year 1888, and in 1890

[1] "Why Prices have collapsed on the Stock Exchange," *The Economist* (London), vol. xlviii (November 22, 1890), pp. 1471–72.

[2] "Commercial History and Review of 1890," p. 35, Annual Supplement of *The Economist* (London), vol. xlix (February 21, 1891).

the principal holders of Argentine securities were small investors who were scattered throughout the country, and for this reason could not through the sale of their holdings exert a dangerous pressure upon the stock market. Consequently German financial houses were not directly threatened by the turn of affairs in Argentina. The German stock and money markets, however, were indirectly affected by the embarrassment and liquidation in Great Britain following the failure of Baring Brothers. In October, 1890, the discount rate of the Reichsbank was raised from 4 to 5 per cent. In November it advanced to 5½ per cent. and remained at that point during the rest of the year. During these months also the market rate was almost equal to the bank rate. But the action of the Reichsbank in lowering its rate of discount in March, 1890, as already pointed out, had been followed by a restriction of speculation and a fall in stock values. The market value of the total shares of industrial companies traded in at Berlin from January to November, 1890, declined over 21 per cent. During the same period there was a fall of more than 10 per cent. in the value of bank shares. After November, 1890, conditions in Great Britain gave a further impetus to the downward movement, and a sharp decline was experienced in all descriptions of securities. Beyond this depression in the stock market, however, no adverse results followed. The influence of affairs in Great Britain during the autumn of 1890 only served to increase the dragging liquidation and depression which had been apparent in Germany from the beginning of the year.

On the other hand, the situation in Great Britain had no permanently injurious effect upon conditions in France. The caution of French investors, together with the losses of the country in the copper speculation and the Panama Canal Company, had saved France, as already pointed out, from the financial excesses for which Germany and Great Britain were being punished. The gold reserves of the

Bank of France were ample, and in addition to the assistance rendered to the Bank of England by the loan of £3,000,000 of gold, £2,000,000 of that metal was sold to the Crédit Lyonnais to strengthen its London branch. For a time prices on the Bourse moved downward in sympathy with the British market. This tendency was especially noticeable in the case of Argentine national and provincial bonds, and in the shares of French banks which were supposed to have assisted in the flotation of Argentine securities. Within a few weeks, however, there was a full recovery, and French bank and industrial shares showed a substantial increase in value for the year.[1] As a matter of fact, French investors profited by the depressed stock values in Germany and Great Britain by making heavy purchases of securities in London and Berlin. From an industrial and commercial point of view the year 1890 was also satisfactory to France. Foreign trade in both imports and exports was increased, and receipts from railroad traffic showed widespread activity in trade and industry.[2] All the visible elements of national prosperity, in brief, gave evidence of a decided improvement.

The collapse in Argentine speculation had thus brought about a financial breakdown and forced liquidation in Great Britain, and had added indirectly to the depression of stock values and the dragging liquidation which was already in progress in Germany. On the other hand, France, because of her previous freedom from speculation, had not suffered any considerable losses. It now remains to be seen what effect this condition of affairs in Great Britain and Germany had upon the financial situation in the United States.

As a matter of fact, the financial breakdown in Great Britain was of very serious significance to this country.

[1] *The Economist* (London), vol. xlix (January 3, 1891), p. 11.
[2] *Ibid.* vol. xlviii (December 2, 1890), p. 1541.

In a previous chapter[1] it was shown that during the period 1886–90 the United States had purchased enormous quantities of merchandise in the United Kingdom. Payments for this merchandise had been made in American securities, chiefly in the form of American negotiable railroad stocks and bonds. Our abnormal excess of merchandise imports during the years preceding 1890 represented, therefore, capital largely invested by Great Britain in American railroads.

As a result of the liquidation in Great Britain during the year 1890, this capital, as might be expected, was recalled. Underwriters and investors in Great Britain, as already seen, owing to the growing distrust of Argentine issues during the first three quarters of 1890, were forced to sell first-class securities in order to realize funds to prevent the sacrifice of their speculative holdings. A considerable percentage of the securities which were thus offered for sale were the negotiable American railroad securities which had been absorbed by Great Britain during the period 1886–90. These were at once returned to the United States. During the forced and voluntary liquidation which followed the suspension of Baring Brothers, a constantly increasing volume of American securities were sent back to this country by Great Britain to be sold. British capital commitments in the United States also ceased. As a result of this action by Great Britain, gold flowed out of the United States. The net exports of that metal from this country during the two months prior to August 10 amounted to $16,000,000.

This outflow of gold occurred at a time when the banks of the United States were not in a position to stand the loss. The industrial activity in the West and South during the early half of the year 1890 had been attended with heavy demands for funds. At the same time, the bank reserves of the New York City banks, which had almost reached the minimum limit of 25 per cent. of deposits at the close

[1] Chapter I.

of 1889, still continued at this low level during the first half of the year 1890. On the 16th of August the bank surplus in New York fell below the legal requirement. From that time a deficit was shown in the weekly bank statements of the New York banks for eleven weeks out of the twenty remaining to the end of the year. The largest deficit was on September 13, when it reached $3,306,900.[1]

Under these conditions, the heavy and continuous demand for money in the interior of the country, together with the withdrawal of gold for export, soon brought about serious trouble in the American money market, which later developed into a severe stringency. As early as August 8 rates on call loans advanced to 20 and 25 per cent.[2] Two weeks later ½ per cent. commission a day was paid in addition to 6 per cent. per annum, or an equivalent of 186 per cent. a year. For two weeks during the middle of

[1] The amount of the surplus and the ratio of reserves to deposits of the New York Clearing-House banks appears in the following statement:

NEW YORK CLEARING-HOUSE BANKS STATEMENT (000's omitted)

		Surplus Reserve.	Reserve to Deposits.
		$	Per cent.
August	2	8,959	27.1
	9	1,286	25.3
	16	deficit 655	24.8
	23	deficit 2,512	24.3
	30	deficit 536	24.8
September	6	deficit 1,401	24.6
	13	deficit 3,306	24.1
	20	1,905	25.4
	27	14,075	28.4
October	4	11,511	27.7
	11	3,155	25.7
	18	deficit 349	24.
	25	deficit 124	24.9
November	1	701	25.1
	8	deficit 2,544	24.3
	15	deficit 832	24.7
	22	deficit 89	24.1
	29	382	25.1
December	6	deficit 2,429	24.3
	13	607	25.1
	20	4,498	26.1
	27	7,725	27.

[2] The quotations for prime commercial paper in the New York money

September, and for a similar period after news of the Baring failure in England, the same extraordinary rates were demanded. Finally, the New York banks resolved to relieve the existing stringency by the emergency operation of issuing Clearing-House certificates. The first certificates were authorized by the New York Clearing-House Association on the 11th of November. After that date further issues were made in accordance with the demand. The maximum amount outstanding at one time was on December 13, when there were $15,205,000. By the end of the year this amount had been reduced to $12,995,000. Clearing-House certificates were also authorized in Boston on November 17, and in Philadelphia on November 18. The maximum issue in the former city was $5,065,000, and in the latter $8,870,000.[1]

This extraordinary stringency in the money market was attended by commercial and financial disaster. The agitation of the silver question in Congress during the early part of 1890 had been followed by speculation in silver bullion and silver stocks. This movement soon spread to other departments of the stock market, and finally attained the proportion of a general boom in stock values which

market from August to December, 1890, as reported by *The Commercial and Financial Chronicle*, ranged from 6 to 9 per cent. Quotations for call loans during the same period were as follows:

Week ending Friday.	Call Loans.	Week ending Friday.	Call Loans.
Aug. 1	2 and 6	Oct. 17	2½ and 6
8	3 20	24	3 8
15	3 25	31	3 30
22	3 6+¼ per day.	Nov. 7	3 25
29	2 15	14	2½ 6+¼ per day.
Sept. 5	3 12	21	2 6+¼ per day.
12	3 6+¼ per day.	28	2 8+¼ per day.
19	2 6+¼ per day.	Dec. 5	3 15
26	2 6	12	2 6+¼ per day.
Oct. 3	2 6	19	2 6
10	2½ 7	26	3 6

[1] *Report of the Comptroller of the Currency, Treasury Report*, 1891, pp. 327–30.

reached its highest point during the month of May.[1] During succeeding months stock values declined and the heavy selling of securities in Great Britain, followed by the stringency in the American money market, was quickly reflected in a downward movement of stock values in the United States. The range in price during the year 1890 of the leading stocks on the New York market appears in the following table:

PRICES OF LEADING STOCKS IN 1890.

(Fractional part of quotations omitted.)

	Opening (Jan. 1).	Highest.	Closing (Dec. 31).
Railroads:			
Baltimore and Ohio	101	107 (May 23)	92
N. Y. Central and Hudson	106	111 (June 3)	101
Delaware and Hudson	147	175 (May 14)	132
Atchison, Topeka and Santa Fe	33	50 (May 15)	28
Illinois Central	117	120 (Jan. 31)	97
Northern Pacific	30	39 (June 10)	21
Norfolk and Western	22	24 (May 6)	14
Miscellaneous:			
American Cotton Oil Trust	30	34 (May 19)	16
Pipe Line Certificates	102	108 (Jan. 21)	70
Sugar Trust	58	95 (May 21)	57
Western Union Tel.	83	87 (May 14)	76

As a result of this depression in stock values, stock operators and speculators, who had loaded up with large masses of securities in anticipation of a silver inflation, lost immense sums. Many brokers and investors, together with a number of financial houses, owing to the stringency of the money market, were unable to secure funds to protect their holdings, or, on the other hand, they found it necessary to dispose of first-class securities at a loss, and, as a consequence, were forced to suspend payments. Moreover, many importers and dealers, as well as manu-

[1] During the month of May, 1890, 11,052,779 shares of stock of a par value of $1,051,139,065 and an actual value of $628,978,858, were sold on the New York Stock Exchange; during May, 1889, 7,155,711 shares of a par value of $673,794,760 and an actual value of $420,969,966 were sold.

facturers, had extended their credit as far as possible in laying in stocks of commodities in anticipation of a rise of prices after the enactment of the McKinley Tariff Bill. In many cases the financial stringency prevented them from securing funds to meet their obligations, and they also were driven into bankruptcy. Finally, the high rates for loans in the money market almost amounted at certain periods to a suspension of credit, and were responsible for the failure of a great many mercantile houses and industrial establishments which were dependent upon uninterrupted accommodations, and which, under normal conditions, would have had small difficulty in continuing their operations. The number of mercantile failures reported during the year was 10,907, with liabilities of $189,856,964. During the year 1889 the number of failures was 10,882, representing liabilities of $148,784,337.[1]

The greater number of failures in 1890, however, did not represent any serious unsoundness in financial and commercial circles. Interior trade was active. Bank clearings and railroad earnings were also larger than in the preceding year. Our foreign trade showed a large increase. The production of iron and steel was greater than the output during the year 1889.[2] Moreover, the business failures themselves during the year 1890, in the light of the stringency in the money market, clearly indicated that

[1] *The Commercial and Financial Chronicle*, Annual Supplement, Financial Review of 1890, p. 15.

[2] The following summary furnishes at a glance a brief industrial comparison of the two years 1889 and 1890:

	1889.	1890.
Bank clearings in the U. S.	$56,175,327,997	$60,117,891,393
Imports of merchandise	770,521,965	823,318,782
Exports of merchandise	827,106,347	857,623,677
Gross earnings of railroads	991,935,331	1,086,039,735
Pig-iron produced (tons of 2000 lbs.)	8,516,079	10,307,028
Steel rails produced (tons of 2240 lbs.)	1,403,700	1,522,204

industry and business were in a safer position, and conducted on a wider margin, than during the preceding year. This fact becomes apparent from a comparison of the failures of the first three-quarters of each year during the two years 1888–90.

First Nine Months of	Number of Failures.	Amount of Liabilities.
1890	7581	$100,771,820
1889	7879	105,055,898

From these figures it is evident that the proportion of casualties during the first three-quarters of 1890 was less, although the strain was greater than during the previous year. The latter quarter of 1890 was, of course, marked by exceptional conditions, and the number of failures as compared with previous years was greatly increased. It was due to the solid position of our industries, however, that the financial breakdown in the latter part of the year was not more widespread and disastrous. At the same time, the fact that the industrial and business collapse had not been more extended furnished hope that the country would not be long in recovering from the effect of the panic.

Great Britain and Germany, however, continued their process of liquidation, and the effect was keenly felt in the United States. Temporary respite from the stringent condition of the money market was obtained during the early part of December, 1890, by the importation of $5,000,000 in gold from abroad. During the first half of the year 1891 the money market was also much easier, and there was never any recurrence of the extraordinary rates for call loans which had prevailed during the preceding six months. American securities, however, continued to be returned by Great Britain. Although Great Britain

and Germany were recovering from the effects of the Baring panic, confidence in foreign investments had not returned. Consequently there was no demand from abroad for American securities, but on the contrary a constant effort to get rid of them. Imports of merchandise into the United States were also heavy during the first half of 1891, owing to the fact that some of the schedules of the McKinley Law, such as the duties on tinplate, did not go into effect until the middle of the year. Because of the small crops of 1890 and the lessened European demand, the exports of agricultural products from the United States were not sufficient to offset these two tendencies in the international trade situation. The result was an outflow of gold from the United States which lasted from February to late in the month of July, 1891.[1] There was also depression in business and industry, and the decline in stock values continued until a very low level was reached. During the first half of 1891 there were, in short, no indications of relief in the United States from the indirect but evil effects which had grown out of the Argentine collapse and the Baring failure.

[1] The net total of gold exported during these months was $72,786,666.

CHAPTER VI

RECOVERY FROM THE PANIC OF 1890 AND FINANCIAL CONDITIONS IN THE UNITED STATES, 1891-93

The Extraordinary Grain Crop of 1891 in the United States. — Heavy Exports of Grain from the United States in the Face of a European Harvest Shortage. — Imports of Gold and Recovery from the Previous Financial Depression. — Appropriations of the Fifty-First Congress. — Increase in Circulation of the Country through Government Extravagance and Issue of Treasury Notes. — Increase in Legal-Tender Holdings of New York Banks. — Legal-Tender Notes used in the Payment of New York Clearing-House Balances. — Increased Percentage of Legal-Tender Notes used in the Payment of Customs Duties. — The Payment of Government Balances at the New York Clearing-House in Greenbacks and Treasury Notes. — Withdrawal of Foreign Capital and Exports of Gold from the Country. — Presentment of Greenbacks and Treasury Notes at the Treasury for Redemption. — Decline of the Treasury Gold Reserve below the Statutory Minimum, and the General Distrust over the Currency Situation.

AFTER the first of August, 1891, a fortunate turn in the international grain situation brought about a radical change in the depressed conditions which had prevailed in the United States during the preceding nine months. The wheat crop of 1891 in the United States was the largest up to that time which had ever been grown. The returns showed a yield of 611,780,000 bushels in 1891 against 399,262,000 bushels in 1890. The same remarkable increase was also true of the corn and oats crop. Moreover, the cotton crop in 1891 was unprecedented.[1] The most significant feature in the situation, however, lay in the fact that this extraordinary increase in the production of cotton and cereals in the United States was coincident with a shortage in European harvests. The Russian wheat

[1] The yield of corn in the United States in 1891 was 2,069,154,000 bushels against 1,489,970,000 bushels in 1890; the yield of oats in 1891 was 738,394,000 bushels against 523,621,000 bushels in 1890. The cotton crop in 1891 was 9,038,707 bales against 8,655,618 bales in 1890, and 7,313,726 bales in 1889.

crop, which, next to that of the United States, was most largely depended upon by European consumers, was almost a total failure. The grain shortage in France was one of the most serious in the history of the country. The Russian Government issued a ukase against the export of rye on August 10, and another against the export of wheat on November 21. A decree removing the import duty on wheat was also promulgated in France. The market for American grain was therefore broad and eager. On account of the small crops of the two years 1889 and 1890 the European demand for American cereals quickly developed and the pressure of export grain from the United States during the autumn of 1891 was very great. The export of breadstuffs almost equaled the enormous outward trade during the year 1879–80 following the resumption of specie payments.[1]

Under these conditions, a radical change in the international trade situation quickly developed. Exports of gold ceased in July. Although imports of merchandise into the United States increased, the trade balance during August turned sharply in favor of this country. From that time until the end of the year the net importation of gold amounted to about $37,500,000.[2] With this influx of gold into the country, the bank reserves became ample and the money market easy. As a matter of fact, the absence of the usual stringency in the New York money market during the closing months of the year was quite notable, call loans ranging in December from 2 to 4 per cent. Improvement in the prices of stocks and bonds also began early in August, and except for a downward turn in the months of October and November, there was a steady gain in values. Quotations stood at a much higher point at the closing of the year than at the opening. Great

[1] *Statistical Abstract of the United States*, 1908, p. 337, Department of Commerce and Labor, Washington.

[2] *Report of the Secretary of the Treasury*, 1892, p. 258.

Britain, owing to the disclosures which had followed the Baring liquidation, had not recovered full confidence in foreign securities, and the new capital commitments in London were small in comparison with previous years. At the same time, conditions were so improved in the United Kingdom that it was no longer necessary to recall British capital invested in America.[1] On the contrary, Great Britain was a purchaser of American securities during August and September, 1891, and during the month of December there was a marked advance in American railroad issues on the London Stock Exchange.[2] While the heavy exports of grain did not affect very sharply the interior trade situation in the United States, beyond adding to the transportation business, the prospects of increased activity and better prices were very bright. The iron and steel trade also showed signs of expansion as early as August, and in the latter part of the year more furnaces went into blast and the demand for iron and steel products constantly grew larger.[3] On all sides there were indications of a revival, and of a complete recovery from the previous financial depression. The extraordinary American grain crop, in brief, in the face of an extensive European demand, furnished an unprecedented basis for a healthy industrial and trade expansion, and, if the finances of the United States had been in a sound condition, the country would have probably entered upon a period of unsurpassed prosperity. As it was, however, the natural economic development of the country at this time was checked, and finally subverted, by the evil effects of the previous silver legislation and the general fiscal policy of the Harrison Administration.

It was pointed out in a previous chapter that the Har-

[1] "Commercial History and Review of 1891," Annual Supplement to *The Economist* (London), vol. 50.

[2] *The Economist* (London), vol. 49 (December 26, 1891), p. 1651.

[3] "The Financial Review of 1891," Annual Supplement to *The Commercial and Financial Chronicle*, p. 1.

rison Administration, when it assumed control of the Government, in 1889, adopted a twofold policy for the purpose of getting rid of the surplus revenue which during the years preceding 1890 had been a marked feature of the fiscal situation.[1] On the one hand, the McKinley Bill was so framed as to eliminate some of the most productive sources of public revenue, such as the receipts from duties on sugar.[2] On the other hand, Congress was encouraged to enter upon a course of increased expenditures. The Fiftieth Congress, as already seen, was not slow in putting the latter part of this policy into operation, and had greatly increased the annual appropriations of the Government. But its successor, the Fifty-First Congress, which held its sessions during the two years 1891 and 1892, went even further in the way of Government extravagance. During its first session it raised the annual outlay for pensions over $16,000,000, and during its second session added a further increase of more than $46,000,000. It ran up appropriations for rivers and harbors almost $6,000,000. It also authorized about $3,000,000 additional for forts and fortifications. Similar increases were made in the provisions for the various permanent departments of the Government. Every committee seemed to make its calculations with the idea that there was an unlimited fund upon which to draw. The total budget for the year 1891 was more than 69 million dollars larger than that for 1890; and the total outlay for 1892 was 36 million dollars greater than that for 1891. The combined appropriations of the Fifty-First exceeded those of its predecessors by more than 148 millions.[3]

This extravagant policy soon had the desired result. Under its operation the surplus revenue was not only

[1] See p. 14.

[2] It provided also for the payment of a bounty to producers of domestic sugar.

[3] An itemized statement of the appropriations of Congress during the period 1890–93 is to be had in the *Report of the Secretary of the Treasury*, 1893, p. cxvi.

wiped out, but the Treasury was even threatened with a deficit. As early as April, 1891, the Treasury was forced to suspend the redemption of the public debt, except such an amount as was necessary to meet the sinking fund requirement.[1] Moreover, all the demands upon the Treasury which were not compulsory were refused. Despite these and similar expedients, however, there was a Treasury deficit of more than $1,000,000 during the fourth quarter of the fiscal year 1891.[2] Larger deficits occurred during the second and fourth quarters of 1892.[3] Fortunately, in each of these cases an expansion of revenues during the other periods of the year prevented an annual deficit in Government receipts as compared with expenditures.

But not only the extravagance of Congress caused a serious diminution in Government resources. The increased disbursements of the Government, by dissipating the surplus revenue which would have otherwise accumulated in the Treasury, also added largely to the amount of money in circulation. At the same time a steady stream of Treasury notes, through the operation of the Sherman Act of 1890, was being poured into the circulation of the country. This law, as already seen, authorized the purchase of 4,500,000 ounces of silver each month, to be paid for in legal-tender Treasury notes, and was practically equivalent to guaranteeing an increase in the circulating medium of something like $50,000,000 annually.[4] Altogether, as a result of the silver issues of the Treasury, and of the increased expenditures of the Government, the money in circulation in the United States during the eighteen months ending December 31, 1891, had been increased to the extent of $172,276,526. Within the last six months

[1] *Report of the Secretary of the Treasury*, 1891, p. xxvi.
[2] *Ibid.*, p. 233.
[3] *Ibid.*, 1892, p. 30.
[4] At the end of the fiscal year 1891 there were outstanding $50,228,417 of Treasury notes of 1890. At the end of the fiscal year 1892 this amount had been increased to $100,863,230. — *Report of the Secretary of the Treasury*, 1892, p. 61.

of this period, — between July 1, 1891, and January 1, 1892, — the circulating medium of the country underwent an expansion of $104,207,636.[1]

If the forms of money which were thus used to increase the circulation had been of a sound character, or if the state of business and trade — the increase of small cash transactions — had been such as to demand more money, there would have been no serious significance attached to this extraordinary expansion of the circulating medium of the country. As it was, however, the difficulty previously experienced by the Treasury officials, even during the exceptionally prosperous period 1886–90, in maintaining in circulation the silver certificates authorized by the Act of 1878, pointed to the fact that any arbitrary increase in the currency, such as the automatic issue of $50,000,000 of Treasury notes each year, would be attended with much hazard.

Unfortunately for the country, this inherent danger in the operation of the Sherman Law soon made itself evident. The business activity which attended the harvesting and marketing of the enormous grain crop of 1891 absorbed for a time the increased circulating medium of the country. Owing to the urgent demand of the European market, however, the movement of the season's crop and the export of grain was over at an earlier date than usual. With the European buyers of grain thus satisfied, the harvest trade contracted, and the Western banks at once found their vaults full of idle currency. In November, 1891, this currency began to move East in great quantities. The supply of currency in New York immediately showed an increase. The tendency of most serious import in connection with the movement soon became apparent in the rapid growth in the legal-tender holdings of the New York banks. Prior to the passage of the Silver Law of 1890 their legal-tender holdings had never exceeded the demands

[1] *Report of the Secretary of the Treasury*, 1892, p. 103.

of their customers. Beginning with the autumn of 1891, however, each succeeding harvest season was followed by the movement of an increased amount of greenbacks and Treasury notes of 1890 from the interior to the East. This tendency is apparent from the following table showing the legal-tender holdings of the New York Clearing-House banks from November, 1891, to June, 1893:[1]

LEGAL-TENDER HOLDINGS OF NEW YORK CLEARING-HOUSE BANKS, 1891-93 (000's *omitted*)

First Week of November,	1890,	$22,101
December,	1890,	23,963
January,	1891,	26,571
June,	1891,	6,687
January,	1892,	37,814
June,	1892,	55,159
August,	1892,	60,278
January,	1893,	46,157
June,	1893,	58,683

This accumulation of greenbacks and Treasury notes of 1890 in the New York banks would ordinarily have had no significance beyond the fact that the currency of the country was greatly in excess of the needs of trade. Under the operation of the silver legislation of 1890, however, the situation was one of serious import. Bankers soon realized that under the Sherman Law of 1890 there was no limit to this increase in their legal-tender holdings. On the contrary, the limit of their gold reserves might be reached in a single season. To protect their depositors, therefore, they sought to retain their gold reserves and to get rid of as large an amount of their legal-tender holdings as possible. The Treasury notes of 1890, as already seen, were redeemable in gold and were available for all banking purposes. Consequently they could not be excluded from settlements at the New York Clearing-House, as had happened in the case of the silver certificates authorized by

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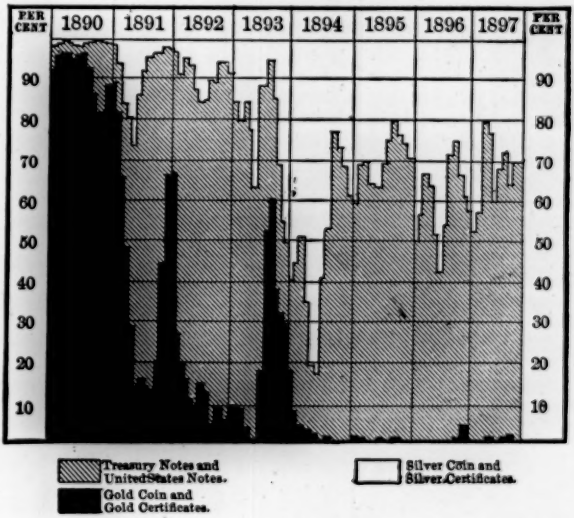
the Act of 1878. The result was an increasing use of Treasury notes and greenbacks in settlements between the banks. In 1890 the legal-tender notes had been used in the payment of only one per cent. of New York Clearing-House balances. In 1891 thirty-five per cent. of the balances were paid in legal tenders. During the year 1892 the percentage of legal-tender payments had risen to fifty-seven and a half.

The next step taken by the banks to reduce their supplies of legal tenders was one which, as already pointed out, was taken during the two years 1884 and 1885, when the silver circulation under the Act of 1878 became redundant. It consisted in working off on the Treasury silver issues and greenbacks by way of the customs revenue. During the first six months of 1890 about ninety per cent. of the customs revenue at New York was received in gold. During the subsequent two years the percentage of payments in gold steadily decreased. In June, 1891, gold coin and certificates formed only about twelve per cent. of the total receipts; in June, 1892, they were eight per cent.; in December, 1892, four per cent.; and by the end of April, 1893, gold payments practically ceased. Gold was thus gradually displaced in the Government customs receipts by silver certificates, Treasury notes of 1890, and greenbacks. As early as June, 1891, forty-four per cent. of the customs duties at New York were paid in greenbacks and twenty-nine per cent. in Treasury notes. In June, 1892, forty-nine per cent. of the customs revenues were received in Treasury notes and twenty-six per cent. in greenbacks. During the year 1892, as a whole, and the first quarter of 1893, about seventy-five per cent. of the customs revenues came in the shape of greenbacks and Treasury notes. From June, 1892, a constantly increasing percentage of payments was also made with silver certificates.[1] The percentage of the

[1] *Report of the Secretary of the Treasury*, 1893, p. 36.

various kinds of money used for customs payments at New York is graphically exhibited in the following chart: [1]

KINDS OF MONEY RECEIVED IN MONTHLY PAYMENTS FOR CUSTOMS AT NEW YORK, BY PERCENTAGES



The tendency of this flow of greenbacks, Treasury notes, and silver certificates into the customs revenue was to place the Treasury in the same embarrassing position it had occupied during the two years 1884 and 1885, when its receipts of gold were displaced by silver certificates, and the maintenance of its gold reserve was endangered by disbursements of gold to meet Government obligations. But the Treasury notes of 1890, as already seen, were entirely different from the silver certificates in that they

[1] This chart is a partial reproduction of Chart I of the *Report of the Indianapolis Monetary Commission.*

were available for the payment of Clearing-House balances. Secretary Foster, therefore, when confronted with a rapid shrinkage of gold receipts and the consequent possibility of a fall in the Treasury gold reserve to the danger-point, decided that the Government's own disbursements should be stopped. Accordingly, during the fiscal years 1891 and 1892 a constantly decreasing amount of gold was paid into the New York Clearing-House in settlement of balances against the New York Subtreasury. After December, 1892, gold payments to the New York Clearing-House were practically abandoned. On the other hand, during the fiscal year 1891, $31,957,946 in Treasury notes were used in the payment of Clearing-House balances. In the fiscal year 1892 the amount of Treasury notes used for this purpose was increased to $57,826,734. A large volume of greenbacks during these two years was also sent to the Clearing-House by the Government. From June, 1892, to July, 1893, the settlement of Government balances was almost exclusively effected in these two forms of currency.[1]

Gold was, therefore, hoarded both by the Government and by the banks. At the same time, as already pointed out, fresh supplies of gold for the Treasury were cut off through the displacement of gold in the customs receipts by Treasury notes, greenbacks, and silver certificates. As a consequence, the net amount of gold in the Treasury steadily declined (see Chart II, p. 93), and apprehension began to be felt as to the ability of the Treasury to continue gold payments unless the existing drain upon its reserves was stopped. This apprehension soon affected foreigners who had funds invested in the United States. The embarrassment in Great Britain following the Baring disaster had disappeared by the autumn of 1891, as already seen, and the process of sending securities to the United States to relieve Great Britain's financial neces-

[1] *Report of the Secretary of the Treasury (Finance)*, 1893, p. 40.

sities had long since ceased. But the currency situation in the United States had been viewed with alarm by British investors as early as 1891.[1] The continued agitation of the silver question in Congress and the constant fear that a free-coinage silver law would be passed, together with the attitude of the United States in the Brussels Monetary Conference of 1892, did not serve to lessen but rather to increase their apprehensions. In its issue of February 20, 1892, the "London Economist," in discussing Richard P. Bland's report on a free-coinage measure, made the following comment on the condition of the currency in the United States:[2]

"The constant agitation on the question [free coinage of silver], however, is proving injurious to the States. It frightens away capital, checks enterprise, and paralyses industry. And now that the Silver party have openly adopted the repudiation of gold contracts as the chief plank in their platform, its deadening and depressing influence may be expected to become still more pronounced."

Four months later "The Economist" gave expression to the increasing apprehension in Great Britain relative to the currency situation in this country. In its issue of July 9, 1892, it said:[3]

"It is very evident that if the Treasury continues to lose gold, and at the same time piles up liabilities payable in gold on demand, as it has been doing since the Act of 1890 was passed, it is likely before very long to become involved in serious difficulties. Its reserve is approaching the 'apprehension point,' the point, that is, at which people will begin to fear that its stock of gold will not be sufficient to meet the demands that may be made upon it, and will be disposed to make a rush to convert their notes, lest, if they delay, conversion will be impossible. Already

[1] "United States Currency and Finance," *The Economist* (London), vol. 49 (December 26, 1891), p. 1648.

[2] "The Report of the United States Coinage Committee," *The Economist* (London), vol. 50 (February 20, 1892), p. 244.

[3] "United States Currency and Finance," *The Economist* (London), vol. 50, p. 887.

there is a good deal of nervousness, as is shown by the sensitiveness of the American stock markets to the continued efflux of gold to this side. . . . The States thus appear to be drifting into grave monetary trouble."

Consequently, when gold was hoarded by the United States Government and the New York banks, and when the tendency toward an embarrassment of the Treasury became more and more pronounced, British and other foreign investors in American securities hastened to get rid of their holdings before a very general distrust and large sales would cause a fall in prices. The excess of merchandise exports from the United States over imports during the fiscal year 1892 was $202,000,000 in round numbers, and yet no gold was sent back in payment. Payments were made by the return of American securities. Moreover, there was an excess of exports over imports of gold during 1892, which showed that even the remarkable credits in merchandise which we had accumulated abroad were not sufficient to offset the withdrawal of funds from the United States by foreign investors. The United States was not only asked to settle its indebtedness abroad, but foreign creditors also refused to make any further commitments of capital in this country. Under the pressure of these conditions, the drain of gold from the country during subsequent years constantly increased. The exportation and importation of gold and the net exportation during the three fiscal years 1891–93 was as follows:

IMPORTS INTO AND EXPORTS OF GOLD FROM THE UNITED STATES, 1891–93.

Year ending June 30.	Imports.	Exports.	Excess of Exports over Imports.
1891	$18,232,567	$86,362,654	$68,130,087
1892	49,699,454	50,195,327	495,873
1893	21,174,381	108,680,844	87,506,463

Up to the end of the fiscal year 1892, gold for export from the United States had been provided by drawing through the New York Clearing-House upon the gold reserves of the associated banks of that city. But, as already seen,[1] this situation had been changed through the operation of the Silver Law of 1890 in causing balances to be settled at the New York Clearing-House in legal-tender notes. Subsequent to June, 1892, the check which a sterling banker received for his bill of exchange in London, after passing through the Clearing-House, was met in legal-tender notes. These notes could not be used in New York by the sterling bankers to pay their drafts on London, and the banks with which they carried deposits were unable to provide the necessary gold out of their own reserves. As a consequence, there were only two ways available to secure gold. In the first place, the necessary amount might be secured by offering a premium. Such action, however, would have constituted an assault upon the public credit, and an open acknowledgment of the depreciation of the currency of the country. On the other hand, greenbacks or Treasury notes might be carried to the Treasury and gold secured through their redemption. It was for this purpose — to protect the currency of the country from depreciation — that the Treasury gold reserve had been provided. Bankers, therefore, who needed gold for export, brought greenbacks to the Treasury to be redeemed.

During the previous history of the Treasury but a very small amount of legal-tender notes had been thus presented for redemption. The amount redeemed during the thirteen years 1879–91 had been only $34,000,000.[2] But the expedient of withdrawing small greenbacks and substituting greenbacks of large denomination adopted by the Treasury officials in 1886, in order to make room

[1] See p. 88.

[2] *Report of the Secretary of the Treasury (Finance)*, 1893, p. 13.

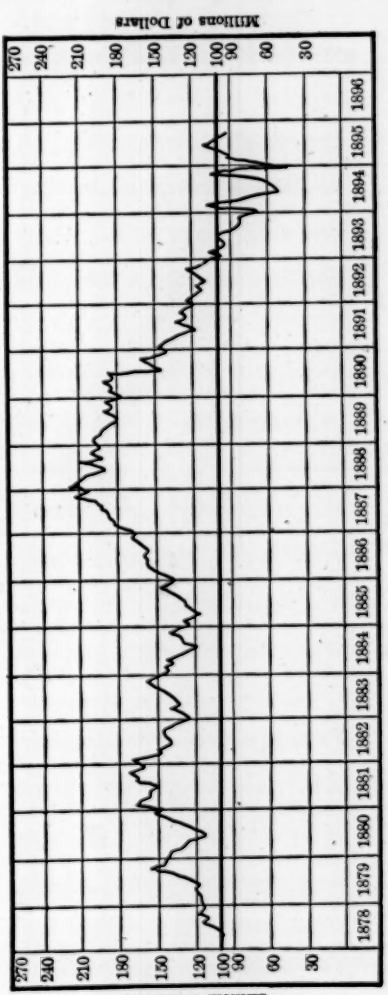
for silver certificates in the circulation, had resulted, as already pointed out,[1] in placing the greenbacks of large denomination in the reserves of the banks, where they were readily available to draw gold from the Treasury, in the event of an emergency such as confronted the country during 1892. The Treasury notes of 1890 were also redeemable in gold, and, having through the redundancy of the currency accumulated in the bank reserves, might be quickly used in making demands on the Treasury. With the means thus at hand, rapid inroads were made upon the Treasury's stock of gold. The heavy exports of gold from the country during the latter half of 1892 and the early part of 1893 were almost wholly drawn from the Treasury by the presentment of Treasury notes and greenbacks. The amount of notes redeemed during the three fiscal years 1891–93, and the connection between the redemption of legal-tender notes and the flow of gold from the country, is shown in the following table:

REDEMPTION OF GREENBACKS AND TREASURY NOTES AND EXPORTS OF GOLD, 1891–93.

Fiscal Year.	Greenbacks redeemed.	Treasury Notes redeemed.	Total Redemptions.	Exports of Gold.
1891	$5,986,070		$5,986,070	$86,362,654
1892	5,352,243	$3,773,600	9,125,843	50,195,327
1893	55,319,125	46,781,220	102,100,345	108,680,844

This drain upon the Treasury gold reserve through the redemption of greenbacks and Treasury notes brought the existing apprehension as to the maintenance of gold payments to a disastrous climax. It has already been shown how the silver law of 1890 brought about a redundancy of the currency, and an accumulation of legal tenders in the New York banks as early as 1891. As a

[1] See p. 23.


NET GOLD IN THE TREASURY
Millions of Dollars
270
240
210
180
150
120
100
90
60
30
1878
1879
1880
1881
1882
1883
1884
1885
1886
1887
1888
1889
1890
1891
1892
1893
1894
1895
1896

result of this accumulation of legal-tender notes, as also pointed out, a constantly increasing percentage of the customs revenues, after the marketing of the grain crop of 1891, was received in greenbacks and Treasury notes. The inflow of gold to replenish the Treasury surplus was thus greatly curtailed. At the same time it was found that the outflow of gold from the Treasury was rapidly increased by the extravagant appropriations of the Fiftieth and Fifty-first Congresses.[1] To this alarming situation was now added the drain upon the gold reserves caused by the direct redemption of Treasury notes and greenbacks. The Treasury gold reserve in short was being dissipated by Government expenditures and the redemption of legal-tender notes, while additional supplies of gold were being cut off through the displacement of gold in the customs receipts by the greenbacks and silver currency. As early as June, 1892, as will be seen in the accompanying chart, the Treasury gold reserve had been reduced to $114,231,883. In his report to Congress for that year Secretary Foster declared that the redemption machinery of the Government was in peril.[2] After this date the growing redundancy in the silver circulation caused by the automatic issue of $50,000,000 Treasury notes annually was attended by increased hoarding of gold by the banks, heavier exports of gold from the country, and the presentment of a larger amount of legal-tender paper at the Treasury for redemption. Under these influences, the gold reserve was maintained with increasing difficulty and the alarm over the Treasury situation became more pronounced and widespread. By the close of January, 1893, the gold reserve had declined to $108,181,713, a bare eight million dollars more than the danger minimum of $100,000,000.[3] Conditions had reached such a critical stage

[1] *Report of the Secretary of the Treasury* (*Finance*), 1893, p. cxxviii.
[2] *Ibid.*, p. xxix.
[3] *Ibid.*, p. 75.

early in February that Secretary Foster gave orders to the Bureau of Printing and Engraving to prepare plates for a bond issue under the provisions of the Resumption Act. About six or eight million dollars in gold, however, was obtained early in February from the New York banks in return for legal-tender notes, and with this assistance the Treasury was kept afloat until the finances of the Government could be turned over to the incoming Cleveland Administration.

When Secretary Foster turned over the control of the Treasury to the Democratic Administration, the gold reserve was only $100,982,410, and the total of all other kinds of money in the Treasury was scarcely $25,000,000.[1] By April 15, Secretary Carlisle was forced to issue an order to suspend the further issue of gold certificates for gold deposited in the Treasury as required in the Act of July 12, 1882, which stated that no more gold certificates should be issued when the gold in the Treasury "reserved for the redemption of United States notes falls below $100,000,000." On April 22, the gold reserve actually fell below the $100,000,000 limit. Several days before this occurrence, the feverish condition of the money market and the anxiety over the currency situation were intensified by a rumor that Secretary Carlisle intended to abandon the policy of redeeming Treasury notes in gold. The Silver Law of 1890, as already cited, authorized the Secretary to "redeem such notes in gold or silver coins at his discretion." Since the gold reserve had declined to the statutory minimum, it was argued that Secretary Carlisle would tender only silver coins for these notes and thus place the country upon a basis of silver payments. Secretary Carlisle, on April 20, announced that he would pay gold for Treasury notes so long as he had "gold lawfully available for that purpose." This reply still left the matter in doubt. Consequently it added to the existing alarm and caused

[1] *Report of the Secretary of the Treasury (Finance)*, 1893, p. 75.

an increase in the gold exports from the country.[1] Two days later, however, President Cleveland publicly declared that both the "President and his Cabinet are absolutely harmonious in the determination to exercise every power conferred upon them to maintain the public credit, to keep the public faith, and to preserve the parity between gold and silver and between all financial obligations of the Government." But the uneasiness of the country, which had been constantly increased by the undermining of the Treasury, refused to be allayed. On the contrary, it soon developed into a panic which was followed by widespread disaster.

[1] The exports of gold from New York and Boston during this week amounted to $8,000,000.

CHAPTER VII

THE CRISIS OF 1893

The Collapse on the New York Stock Market. — Depression of Stock Values. — Run of Depositors upon Interior Banks. — Withdrawal of Banking Deposits from Eastern Reserve Centres, and the Resultant Deficiency in New York Bank Reserves. — The Stringency in the Money Market. — Development of a Money Famine. — Issue of Clearing-House Certificates. — Mercantile and Industrial Failures. — Bank Suspensions and Failures. — Repeal of the Silver Purchase Clause of the Sherman Law and the Return of Confidence.

THE first evidence of the culmination of the long-felt uncertainty as to the maintenance of gold payments came in the shape of a collapse on the New York Stock Exchange. The same reasons which had led British and European investors to distrust the currency situation in the United States had already affected Americans. The amount of new commitments of capital by American investors had been steadily decreasing since the passage of the Sherman Law.[1] After the beginning of the year 1893 this tendency assumed an aggravated form, manifesting itself not only in a lessened activity in new undertakings, but also in an endeavor to withdraw from old enterprises.

During the first five months of 1893, when the condition of the Treasury grew worse week by week, and the change from a gold to a silver basis of payments became more and more probable, investors became exceedingly anxious to dispose of their holdings of securities before the critical moment arrived. In the very nature of things they desired to realize on their investments before the gold standard of payments was abandoned. As this distrust of the currency developed and the efforts to realize were

[1] See p. 106.

stimulated, there was a steady fall in stock quotations. The climax was reached immediately after the decline, on April 22, 1893, of the gold reserve below the danger-limit of $100,000,000. After that date the attempt on the part of investors to liquidate in the face of the general distrust of the Treasury situation was followed during the first week of May by a panic and a sharp fall in values on the New York Stock Exchange.[1] The rush of investors to sell their holdings affected adversely all classes of securities. Several brokerage firms were unable to protect themselves and were forced to suspend payments. The extent of the panic was also increased by the discovery that the stock speculation which had prevailed during the early months of the year had been stimulated by many questionable financial practices.[2] The depression in stock values which began under these conditions was increased by further developments in the currency situation, and in most cases continued until the end of the year. The extent of the decline in prices is apparent from the accompanying table (page 99), showing the opening, closing, and lowest quotations during 1893 of a few leading stocks at the New York Stock Exchange.[3]

This breakdown on the stock market was the beginning of widespread financial disaster. As a matter of fact it furnished an occasion for the outbreak of the general distrust of the currency situation which had been gaining strength since the beginning of the year. The discredit of the currency, or the fear as to the fixity of the gold standard of payments, assumed outwardly the shape of a loss of confidence in banks and financial institutions. Bank depositors realized that in the event of the general liqui-

[1] Annual Supplement to *The Commercial and Financial Chronicle*, 1894, Financial Review of 1893, pp. 8, 9.

[2] This was especially true in the case of the National Cordage Company, the stock of which had been foisted upon the public through the manipulation of dividends by its directors.

[3] Annual Supplement to *The Commercial and Financial Chronicle*, 1894, Financial Review of 1893, p. 7.

RANGE OF LEADING STOCKS IN 1893.

	Opening.	Lowest.	Closing.
Railroads.			
Baltimore and Ohio	94	54 July 27	67
New York Central and Hudson	109	92 July 26	98
Pennsylvania	54	46 Dec. 18	48
Atchison, Top. and Santa Fe	34	9 Dec. 30	10
Chicago, Mil. and St. Paul	77	46 July 26	56
Illinois Central	99	86 July 18	89
Northern Pacific (pref.)	47	15 Aug. 16	18
Union Pacific	39	15 July 26	18
Chesapeake and Ohio	22	12 July 26	16
Louisville and Nashville	72	39 Dec. 28	44
Miscellaneous.			
American Sugar	111	61 July 26	81
American Tobacco Co.	121	43 July 31	70
National Cordage	138	7 Aug. 25	20
Pacific Mail Steamship	27	8 July 27	14
United States Rubber Co.	46	17 Aug. 17	42
Western Union Telegraph Co.	96	67 July 26	82

dation of credit obligations which had been presaged by the panic in the stock market, financial institutions would not be in a position quickly to convert their assets into gold, and, on account of their small gold reserves, would be unable to pay their obligations in gold. This feeling, which was strong in the interior of the country and especially prevalent over a wide section of the West and South, finally during the months of May and June led to a run upon many Western banks. Moreover, the Government and the banks were already hoarding gold, and it was but a short step to the hoarding of gold and specie by individuals who feared that the country would be reduced to a depreciated silver currency as a basis of payments. This apprehension not only caused the hoarding of gold by individuals, but also led depositors in their rush upon interior banks to demand specie in payment of their accounts.

Under the provisions of the National Banking Law, banks in the interior of the country are required to main-

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tain a cash reserve equal to fifteen per cent. of their deposits. Only two fifths of this reserve, however, must necessarily be held in the vaults of the interior banks. The remaining three fifths may be kept on deposit at reserve banks in certain designated cities. Since the demand for loans was usually light in Western sections of the country, except in the harvest season, the bulk of the country's bank reserves had come to be held by certain Eastern reserve agents which usually paid two per cent. interest for the use of the funds. This was especially true during the years subsequent to 1890. Mention has already been made of the flow of legal-tender notes from the West to the East after the harvest of 1891, and of their accumulation in the banks of New York. This movement was symptomatic of the general tendency of idle Western funds to move toward the East. During the two fiscal years 1891 and 1892 the deposit by Western banks of reserve funds in the East increased one third. During the same period Western deposits in New York City were doubled. At the close of the year 1892 the deposits of interior banks in Eastern centres amounted to $204,000,000.[1] All of this immense amount was payable on demand. When the run of depositors upon Western and other interior banks began in May, these institutions, therefore, in order to meet the pressing demands for cash, at once recalled their reserves and other funds which they had on deposit in the East.

The effect of this action upon the New York bank deposits and reserves at once became evident. During the month of June about $33,000,000 of deposits were withdrawn from the Clearing-House banks. The withdrawal of cash to the interior steadily continued during the next two months. The deposits of the Clearing-House banks, which were $431,000,000 in round numbers on June 3,

[1] Noyes's *Thirty Years of American Finance*, p. 190. Report of the Secretary of the Treasury, 1893 (Finance), pp. 431, 433.

had been reduced by August 29 to $370,000,000. As a consequence of this strain, the reserves of the New York Associated Banks fell below the statutory minimum of twenty-five per cent. on July 8, and the deficiency thus begun continued until September 9. The greatest deficit was one of $16,545,375 on August 12. The movement of funds to the interior of the country, and the resultant decrease in the reserves and deposits of New York banks from June to September, may be readily seen from the following figures showing the deposits, reserves, and ratio of reserves to deposits of the New York Clearing-House banks :[1]

NEW YORK CLEARING HOUSE BANKS. DEPOSITS, RESERVES AND RATIO OF RESERVES TO DEPOSITS, JUNE-SEPT., 1893.

(000's omitted.)

Week ended	Deposits.	Specie.	Legal Tenders.	Reserves to Deposits. Per Cent.	Surplus Reserve.
June 3 ..	$431,411	$70,156	$58,683	29.8	$20,987
10 ..	418,925	69,529	46,623	28.4	14,420
17 ..	406,536	68,218	42,192	27.1	8,776
24 ..	398,064	65,923	39,074	26.3	5,481
July 1 ..	397,979	62,988	37,758	25.3	1,251
8 ..	398,679	61,703	32,884	23.7	5,082 deficit
15 ..	394,174	62,268	32,005	23.9	4,269 deficit
22 ..	390,476	63,853	32,509	24.6	1,256 deficit
29 ..	382,177	62,631	28,610	23.8	4,301 deficit
Aug. 5 ..	372,640	55,884	23,265	21.2	14,017 deficit
12 ..	372,203	53,624	22,880	20.5	16,545 deficit
19 ..	370,302	58,352	22,177	21.7	12,045 deficit
26 ..	370,479	62,930	22,951	23.1	6,736 deficit
Sept. 2 ..	374,010	66,960	25,074	24.5	1,567 deficit

The rapid withdrawal of specie and currency from New York, as shown above, and from other Eastern money centres, by banks in the West and South, was of course followed by a large diminution of the money supply of New York and other Eastern cities. The existing supply

[1] Annual Supplement, *The Commercial and Financial Chronicle*, p. 23, Financial Review, 1894.

was further depleted by the general withdrawal of savings and deposits from financial institutions, on account of the fear that silver and notes redeemable in silver would fall much below gold values. At the same time the curtailment of bank loans, the general rush to liquidate all forms of obligations, and the necessity for funds to provide new margins for holdings of securities, created an unusual and intense demand for legal money of all kinds. There was, in short, a remarkable shrinkage in the Eastern money supply in the face of an intense demand for money, and the logical result of the situation was an extraordinary increase in the rates on call loans and commercial paper. During the latter part of June the rates for call loans in New York ranged as high as seventy-four per cent. On July 28 the rate was seventy-two per cent., and on August 4 fifty-one per cent. was demanded. During these same months the rates on first-class commercial paper ranged from eight to twelve per cent. These high quotations were practically nominal, however, for the reason that only a very small amount of funds could be secured even at these unusual rates of interest. The extraordinary stringency in the New York money market from the close of June to the beginning of September is at once apparent from a glance at the accompanying table, on the next page, which shows the weekly quotations for call loans and commercial paper during this period.[1]

On account of the constantly growing demand for money from far and near, the hoarding of money by individuals, and the universal desire to convert goods, securities, and all descriptions of obligations into gold because of the fear of a reversion to a silver standard of payments, the tightness in the money market finally developed into a money-famine. Time-loans were scarcely obtainable. Many city banks adopted the extreme measure of refusing to cash

[1] Annual Supplement, *The Commercial and Financial Chronicle*, p. 33, Financial Review, 1894.

RATES FOR CALL LOANS AND COMMERCIAL PAPER AT NEW YORK JUNE–SEPTEMBER, 1893.

Week ending Friday,	Call Loans.	Prime Paper.
June 2	2 to 5	6 to 9
9	2 to 12	6 to 7
16	4 to 25	6½ to 8
23	3 to 25	7 to 15
30	4 to 74	8 to 12
July 7	3 to 25	8 to 12
14	3 to 20	8 to 12
21	3 to 11	8 to 12
28	2 to 72	8 to 12
Aug. 4	2 to 51	8 to 12
11	2 to 6	8 to 12
18	2 to 6	10 to 12
25	3 to 7	10 to 15
Sept. 1	2 to 6	12 to 18

the checks of their own depositors, except in cases where it could be shown that the money was absolutely necessary for personal and business uses. Finally, during the early part of August, a premium was offered for gold, silver, notes, or currency of any kind, and various kinds of media of exchange were devised and used by business and industrial concerns in the payment of wages and other transactions.[1] Despite these expedients, however, the premium on money lasted throughout the month of August, varying from one to five per cent. without regard to the kind of money obtained. Under the pressure to get anything with which to settle the next day's obligation, gold, silver, and paper were all eagerly accepted and rose to the same premium.[2]

In addition to the device of offering a premium for money, three other plans were adopted for relieving the currency famine. In the first place, national banks de-

[1] "The Currency Famine of 1893," John De Witt Warner, *Sound Currency*, vol. ii, no. 6 (February 15, 1895), p. 339.

[2] This was a curious phase of a money stringency which had been caused by the distrust of a silver currency, but, as a matter of fact, it was only an incident of the existing situation and showed no confidence in silver.

posited United States bonds with the Comptroller of the Currency, and thus increased their note circulation. In the second place, Clearing-House certificates were issued in large amounts. Finally, Clearing-House certificates were used by a combination of New York bankers as a credit to facilitate the importation of gold from abroad. From these three sources the amount of available currency during the two months of July and August was increased to the extent of $128,831,276, divided as follows:[1]

Clearing-House certificates, in four Atlantic cities[2]	$62,165,000
Imports of gold into the United States	46,398,930
Increase in national bank circulation	20,267,346
Total increase in two months	$128,831,276

Clearing-House certificates were first issued freely in New York City on June 21, in an attempt to break down the extraordinary rates for loans. Similar issues had already been made in Philadelphia as early as June 16, and during the latter part of August and the beginning of September, Boston, Baltimore, and Pittsburg followed suit. The extent of the movement and the amount of loan certificates issued in the cities named are indicated in the following table:[3]

City.	Date of Issue of First Certificate.	Date of Largest Amount Outstanding.	Largest Amount Outstanding.
New York....	June 21	Aug. 29 to Sept. 6	$38,280,000
Philadelphia..	June 16	Aug. 15	10,965,000
Boston	June 27	Aug. 23 to Sept. 1	11,445,000
Baltimore.....	June 27	Aug. 24 to Sept. 9	1,475,000
Pittsburg	Aug. 11	Sept. 15	987,000
Total.....			$63,152,000

[1] Annual Supplement, *The Commercial and Financial Chronicle*, p. 31, Financial Review, 1894.

[2] This total does not include the $987,000 in loan certificates issued by the Pittsburg banks as shown in a subsequent table.

[3] Treasury Report, 1893, p. 358.

The issue of Clearing-House certificates greatly exceeded that of previous years. In 1873 the New York Clearing-House Association issued

These efforts on the part of the banks to provide currency and other means of payments tended to mitigate the severity of the crisis and to assist many business and industrial concerns which were in dire straits. They were not powerful enough, however, to prevent extensive financial and industrial losses.

The depression in stock values has already been reviewed.[1] On the other hand the mercantile and industrial failures throughout the year were phenomenal. The aggregate liabilities of mercantile and industrial establishments which failed in 1893 were three times as great as the liabilities embraced in the failures of 1891, and almost twice as great as those of the panic year 1890. The total number of failures during 1893, and the liabilities involved, exclusive of railroads and banks, is given below.[2] For purposes of comparison the returns for 1892 are also added:

MERCANTILE AND INDUSTRIAL FAILURES, 1892–93.

	First Quarter.	Second Quarter.	Third Quarter.	Fourth Quarter.	Total.
1893.					
Number ...	3,202	3,199	4,015	4,826	15,242
Liabilities..	47,338,300	121,582,539	82,470,040	95,389,010	346,779,889
1892.					
Number ...	3,384	2,119	1,984	2,857	10,344
Liabilities..	39,284,349	22,989,331	18,659,235	33,111,252	114,044,167

An examination of these figures reveals two interesting facts relative to the disastrous conditions which prevailed during 1893. In the first place they show that the mercantile and industrial failures began to increase before 1893. The reason for this is plain. The distrust in for-

only $26,565,000, and the Philadelphia Clearing-House $6,785,000. In 1890, as already seen, the total issue of Clearing-House certificates by New York, Philadelphia, and Boston banks was $29,140,000.

[1] See p. 99.

[2] Compiled from the Annual Supplement, *The Commercial and Financial Chronicle*, p. 17, Financial Review, 1894.

eign countries as to the American currency situation, as already seen, had led to the withdrawal of foreign capital invested in this country. At the same time further commitments of capital were refused. Moreover, the distrust in the ability of the Treasury to maintain gold payments soon affected Americans as well as foreigners, and made them exceedingly cautious in entering into new interprises.[1] The result was that industrial and trade activity were curtailed on every side. Prices also declined and the margin of profits gradually grew smaller. Under these conditions, the weaker industrial and mercantile concerns experienced difficulty in maintaining their solvency, and as a consequence the amount of failures during the last quarter of 1892 and the first quarter of 1893 showed a decided increase. With the growth of distrust of the currency situation and the resultant stringency in the money market during the spring and summer of 1893, the difficulty of conducting business was intensified, and only the strongest corporations and mercantile houses were able to continue operations. As it was, many of these were forced to suspend, and the smaller establishments which had been already weakened by the depressed conditions prevailing during the previous year were forced to close their doors.[2]

To these widespread mercantile and industrial failures during 1893 there was also added the collapse of a number of great railway corporations, such as the Reading, the Northern Pacific, the Union Pacific, the Atchison, Topeka and Sante Fé, the Erie, and the New York and New England. The most prominent feature of the crisis during the summer of 1893, however, as well as the most distinctive

[1] This tendency was clearly apparent in the decline of new listings of stocks and bonds on the New York Stock Exchange. New issues of stocks and bonds were $23,000,000 less, in round numbers, in 1892 than in 1891, and the listings for 1893 were $42,000,000 below the reduced level for 1892. Annual Supplement, *The Commercial and Financial Chronicle* p. 13, Financial Review, 1893.

[2] *Ibid.*, 1894, pp. 16–18, Crisis of 1893 and the Year's Failures.

and exceptional, was the numerous bank failures and suspensions. During the five years preceding 1893 there had been an annual average of about twelve national bank failures. About forty-four banks each year also had gone into voluntary liquidation. In comparison with these figures, 158 national banks suspended, and 46 went into voluntary liquidation, during the first nine months of 1893. Of the national banks which suspended, three were located in the Middle States, 38 in the South, 49 in the West, and 66 in the Pacific States and territories.[1] Private banks and financial institutions also came in for a proportional share of disaster. The entire number and classes of banks and financial establishments which suspended and those which resumed, from January 1 to September 1, 1893, together with their assets and liabilities, is shown in the following table, compiled by the Comptroller of the Currency:[2]

BANKS, ETC., WHICH SUSPENDED, JAN. 1 TO SEPT. 1, 1893.

Class.	Number.	Assets.	Liabilities.
State Banks	172	$41,281,848	$36,903,266
Savings Banks	47	17,673,938	16,830,809
Loan and Trust Companies	13	14,337,500	22,354,000
Mortgage Companies	6	760,803	1,790,000
Private Banks	177	20,237,259	19,315,455
	415	94,291,348	97,193,530

The financial and industrial chaos which was produced by these unprecedented bank failures reigned throughout

[1] *Treasury Report*, 1893 (*Report of Comptroller Eckels*), pp. 347–349. The number of suspensions in the South and West was especially great for the reason that the banks in those sections of the country had extended their loans during the year 1892. When the run of depositors, as already described, upon these institutions was started in June, the banks were not able to convert their assets into a liquid form and in many cases the demands of depositors were so pressing that the banks were compelled to close their doors at a time when their reserve deposits were already on the way to them, having been shipped from Eastern centres.

[2] *Treasury Report*, 1893 (*Report of Comptroller Eckels*), p. 351.

the summer of 1893. The turning-point came during the latter part of August. On the 30th of June President Cleveland issued a call for Congress to meet in extraordinary session on the 7th of August. Shortly after the convening of Congress a bill repealing the silver purchase clause of the law of 1890 was introduced in the House, and after a sharp debate was passed, on August 28, by a majority of 131 votes. Although the Senate delayed action until October 30, when it finally passed the measure, the unexpected vote of the House restored confidence in the country's financial integrity, and marked the close of the most acute period of the crisis. Contemporary evidence of this fact was furnished by an authoritative financial journal which made the following significant comment on the situation:[1]

"This [the vote of the House] was the turning-point of the whole financial crisis of 1893; confidence was restored like magic; money began to come back into the banks and kept on accumulating, until on December 30 the surplus reserve of the New York banks reached $80,115,150; the Clearing-House certificates were drawn in gradually, and by November 1 all were canceled. After the decisive vote in the popular branch of the National Legislature the country never lost confidence, and ultimate repeal was considered certain notwithstanding the desperate opposition in the Senate."

After the first week in September the money market relaxed until funds were loaned on call in New York during the latter part of December at the unprecedented rate of ¾ of one per cent. A revival on the stock market followed, and a large share of the losses in stock values during the summer were recovered by the end of the year. But the influence of the extraordinary failures during the acute period of the crisis, and the burden of silver obligations which had been issued by the Government since 1878, still

[1] Annual Supplement, *The Commercial and Financial Chronicle*, p. 2, Financial Review, 1894.

remained, and marked out a precarious future both for the Treasury and for the trade and industry of the country. It is not necessary, however, to enter into these subsequent years of trade and industrial stagnation, and of Government fiscal and monetary difficulty. The movements which culminated in the financial and industrial breakdown during the summer of 1893 have already been traced in considerable detail. The nature and extent of the catastrophe have also been described. Consequently the object of the investigation has been attained since a position has now been reached where a conclusion may be safely drawn as to the cause of the crisis.

CHAPTER VIII

THE CAUSE OF THE CRISIS OF 1893

The Crisis of 1893 cannot be ascribed to a Continued Operation of the Forces which caused the Panic of 1890 in the United States. — During the Period 1891–93 Financial and Industrial Conditions in Great Britain, Germany, and France showed a Healthy Development. — Hence the Crisis of 1893 in the United States did not arise from any Difficulties Abroad. — The Crisis of 1893 was Local in its Occurrence and Cause. — It was not due to an Extension of Mercantile and Industrial Credits or to a Scarcity of Money in the United States. — It was a Monetary Crisis caused by Widespread Apprehension as to the Fixity of the Gold Standard of Payments.

In attempting to reach a decision as to the cause, or causes, of the crisis of 1893 in the United States, it is evident, in the first place, that the crisis of 1893 was not due to a continuation of those forces which brought about the panic in this country during the autumn of 1890. The stringency in the American money market, the collapse of stock values, and the resultant industrial and financial failures in the United States during that year, as already seen, were a reflection of the state of affairs which had been precipitated in Great Britain by English speculation in Argentina and other countries. In the fall of 1890 Great Britain, in the height of her distress, found it necessary to recall part of the funds which she had invested in American railroads, and to sell in this country part of her holdings of American and other negotiable securities.

But the necessity for this forced sale of securities in the United States by British investors, as already pointed out, had soon ceased.[1] The combined action of the Bank of England and the financial houses of London in guaranteeing the assets of the firm of Baring Brothers and in freely extending bank accommodations prevented a severe panic

[1] See p. 79.

in Great Britain. A large measure of confidence was soon restored, and loans were obtainable on easy terms. By the first of April, 1891, the discount rate of the Bank of England had been reduced to 3 per cent. In June, 1891, the rate fell to $2\frac{1}{2}$ per cent., and the average for the entire year was $3\frac{5}{11}$ per cent. The average market rate for the year was $1\frac{5}{11}$ per cent. lower than the rate of the Bank of England. Under these conditions British investors and financial houses could easily obtain loans on gilt-edged securities, and were not compelled, therefore, to sell securities in the United States in order to meet their own financial necessities. Moreover, after the immense grain crop in the United States during 1891, as already indicated, gold was imported from Great Britain by the United States. In the autumn of 1891 American railroad stocks and bonds were also favored purchases on the London Stock Exchange, and at the close of that year the entire list of American railroad securities showed an increase in value as compared with the closing quotation of the year 1890, ranging from four to twenty per cent.[1] Had the currency situation in the United States been sound at that date, there would have been no further recall of British capital or return of American securities by British investors. It is true that during the two subsequent years, as already seen, there was a constantly growing tendency on the part of Great Britain and other foreign countries to realize on their investments in the United States.[2] But the sale of securities by foreigners in this country and the outflow of gold from the United States during these years was due to a set of forces entirely different from those which caused the return of American securities in 1890 by British investors. In 1890 British holders of American securities were forced to adopt this policy in order to realize funds to meet their own obliga-

[1] Annual Supplement, *The Economist* (London), vol. 50 (February 20, 1892), p. 36, Commercial History and Review of 1891.

[2] See p. 89.

tions; during the subsequent years, 1891–93, they were constrained to sell American securities by the fear that the United States would be unable to maintain gold payments. The Baring failure, in short, and the consequent liquidation in Great Britain had no influence upon conditions in the United States after the early part of the year 1891, and the financial collapse in the United States during 1893 cannot possibly be ascribed to a continued operation of the causes which were responsible for the panic of 1890 in this country.

It is equally apparent, in the second place, that the crisis of 1893 did not arise from any other causes which had their origin outside of the United States. This conclusion is incontrovertible, for the reason that financial and industrial conditions in other commercial nations during the three years, 1891–93, were not marked by any developments which could have possibly reacted disastrously upon this country. On the contrary, foreign countries during this period suffered severely from the state of affairs in the United States.

Industrial and financial affairs in Great Britain during the three years, 1891–93, were conducted with such caution and conservatism as to contrast sharply with the previous period of reckless speculation. The confidence of investors in domestic enterprises was weakened by the discovery of the rash and corrupt financial practices which came to light through the publicity attached to the liquidation of the numerous trust companies and other concerns which had figured so prominently in the speculative movement that had absorbed such a large amount of the savings of the public in the years preceding 1890. At the same time the growing apprehension in Great Britain after 1891 over the currency situation in the United States, the default of the Uruguayan Government in 1892, the political revolution in Brazil in 1893, the development of a banking crisis in Australia in the same year, together with the continued state of uncertainty relative to Argentine finances, also had

the effect of impairing the confidence of British investors in foreign industrial and financial undertakings. They refused to place their funds in any investments except first-class securities. As a consequence the amount of new capital commitments in Great Britain steadily decreased.[1] Although the discount rates were low,[2] the stock market was depressed, and there was an entire absence of speculation.

This financial depression was strongly reflected in the domestic industry of the United Kingdom. The countries of Central and South America were unable to get the credit which they had formerly enjoyed in London, and consequently were forced greatly to lower their purchases of British goods. The market for British commodities in the United States was also curtailed by the prohibitive rates of the McKinley tariff law, and the industrial and financial crash in this country during 1893. On account of the depression existing in Germany and France, those countries also reduced their purchases in Great Britain. The foreign trade of the United Kingdom during the period 1890–93 steadily declined, and it was not until the year 1895 that any pronounced upward movement developed.[3]

[1] The total capital created and issued in Great Britain during the four years 1890–93 was as follows:

1890	£142,565,000
1891	104,594,910
1892	81,137,177
1893	49,141,188

[2] The average discount rate of the Bank of England, and the average market rate during the years 1890–93 was as follows:

	Bank of England. Per Cent.	Market. Per Cent.
1890	4 /10/ 4	3 /13/11
1891	3/ 5/11	2/10/ 0
1892	2/ 9/11	1/ 9/ 5
1893	3/ 1/ 4	2/ 2/ 0

[3] The foreign trade situation in Great Britain during the period

This reduction in the volume of foreign trade, as a matter of course was attended by a decreased activity in domestic trade and industry.[1] Although the volume of interior trade was maintained, prices were lower and profits smaller. The entire period 1891–93 in Great Britain, in short, was marked by the continued effort to liquidate past losses, to avoid future excesses, and to conduct financial and industrial operations on a safe and conservative basis. These efforts were in the main successful. Trade and industry, in view of the many adverse influences which they had to encounter, both at home and abroad, made a remarkably good showing, and met with no serious disasters. Each year after 1890 the financial structure was placed on a more sound and solid basis, and the movement away from the disastrous conditions which had been precipitated by the financial collapse in 1890 was steadily maintained.[2]

Conditions similar to those in Great Britain prevailed in Germany. The reckless speculation in that country which culminated in the financial collapse of 1889 was followed by financial and industrial depression up to the close of the year 1893. In a previous chapter it was ascertained that the year 1890 in Germany was marked by a decline in stock

1890–93 appears in the following table, which shows the increase or decrease per cent. of the volume of foreign trade as compared with previous years;

	Total Imports and Exports. Per Cent.	Exports of Home Produce. Per Cent.
1890	0.39 decrease	0.51 decrease
1891	0.25 decrease	5.30 decrease
1892	1.17 decrease	3.43 decrease
1893	1.68 decrease	2.10 decrease

[1] London Bankers' Clearing-House returns decreased from £7,801,048,000 in 1890 to £6,478,013,000 in 1893. Railroad traffic receipts were reduced from £32,902,000 in 1891 to £30,632,900 in 1893. A part of the decrease in 1893, however, was due to mining strikes which curtailed shipments of coal.

[2] Annual Supplement, *The Economist* (London), vols. l–lii, Commercial History and Review, 1891–93,

values and a liquidation of past excesses.[1] During the three subsequent years this process continued. The taste for capital adventure was lost. The public was exceedingly timid about placing its funds in new enterprises, and only first-class securities were purchased. Almost all descriptions of stocks and bonds decreased in value. Consequently there was a steady reduction in the amount of German capital commitments, and in the number and total capitalization of joint-stock companies organized.[2] Idle funds accumulated in the banks, and the rates of discount were low.[3] In the domain of trade and industry this finan-

[1] See p. 69.

[2] The total capital commitments in Germany during the period 1890–94 was as follows. From a comparison of the figures it will be seen that there was a marked decrease during the three years 1889–92, and an upward movement commencing with the year 1893.

TOTAL CAPITAL COMMITMENTS IN GERMANY.

	Million Marks.
1889	1745
1890	1520
1891	1217
1892	1016
1893	1266
1894	1289

Practically the same tendency is evident from a comparison of the number and capitalization of joint-stock companies organized during the same period:

	Number of Companies.	Total Capital (Million Marks).
1889	360	402.54
1890	236	270.99
1891	160	90.24
1892	127	79.82
1893	95	77.26
1894	92	88.26

Le Marché Financier, 1894–95, A. Raffalovich, pp. 107–108.

[3] The average bank rate of discount at Berlin was 3.81 per cent. in 1890, 3.09 per cent. in 1891, 1.79 per cent. in 1892, 3.21 per cent. in 1893, and 1.77 per cent. in 1894. — *Le Marché Financier en* 1894, p. 113.

cial prostration of the country was severely felt, and was evidenced, as in Great Britain, by lower prices and a reduced margin of profits.

Even under these adverse conditions, however, industry and business were remarkably well sustained. Germany suffered no shortage in her agricultural production during the year 1892, when the wheat harvests in France and Russia were almost total failures. The German grain crop of 1893 was also satisfactory. Under these conditions the work of financial recuperation was steadily pushed forward. Losses were written off, over-commitments of capital were reduced, and on every side a general policy of retrenchment was pursued. The result was that German domestic trade and industry gave evidence of a revival as early as 1893, and during the following year there was an increase in foreign and interior trade, and a general movement toward more prosperous conditions. Railroad traffic receipts were better, bank clearings were larger, the volume of capital emissions was greater, and bank and industrial stocks were quoted at higher prices.[1] Germany, in short, during the latter half of 1893 began to free herself from the liquidation of the previous three years, and to enter upon a period of unchecked prosperity.

The financial and industrial situation in France during the period 1891–93 was somewhat different from that in Great Britain and Germany, for the reason, as already seen, that France had fortunately been prevented by the failure of the copper syndicate and the Panama Canal Company from entering into the reckless speculation which characterized the German and English financial situation during the years immediately preceding 1890. Consequently there was no heavy liquidating movement in France after that year such as prevailed in Great Britain and Germany. Moreover, during these same years, French trade and industrial movements were depressed, partly by the

[1] *Le Marché Financier en* 1894, *Le Marché de Berlin*, pp. 83–124.

refusal of French investors to place their capital in new enterprises, and partly by the effect of adverse conditions which existed in foreign countries. At the same time there were no evidences of any speculation or of the commitment of capital in hazardous undertakings. The Paris Bourse was firm, and more activity was displayed than at London or Berlin. Financial institutions were in excellent condition, large amounts of idle funds were accumulated, and the rates of discount were low. The condition of trade and industry also was not of a nature to cause serious anxiety. Toward the close of the year 1892 there was a change for the better Encouraged by a similar movement in England, French investors seemed to regain confidence, and embarked in extensive mining operations in South Africa. During the following year large issues of Government securities were followed by the development of an upward movement in prices on the Paris Bourse. The timidity of investors and speculators disappeared. Foreign and domestic trade also showed decided improvement, and a general movement toward more prosperous conditions was inaugurated.[1]

From this brief summary of financial and industrial conditions in Great Britain, France, and Germany during the period 1890–93 it is clearly evident, therefore, that the crisis of 1893 in the United States could not have been due to any difficulties abroad. The general situation in Great Britain and Europe during these years was marked by a steady upward movement from a condition of financial depression to one of prosperity. Germany and France at the close of 1893 were entering upon a trade and industrial revival. Great Britain followed their lead in the early part of the year 1894. Consequently there were no conditions in these countries which were analogous, or had any causal connection with the financial crisis in the United States. The conclusion is irresistible that the disastrous break-

[1] *Le Marché Financier en* 1894, pp. 1–26.

down in the United States during the summer of 1893 was local, not only in its occurrence, but also in its cause, or causes, and that it is not necessary to go beyond the borders of this country in search of an explanation of the calamity.

But what was the local and the true cause of the crisis of 1893 in this country? Perhaps it has already been inferred from the review of developments in the United States during the years preceding 1893. In the light of these developments, the financial breakdown in 1893 cannot be said to have been due to a scarcity of money in the United States at that time, for the Silver Act of 1878 had increased the available circulation $378,000,000, in round numbers, and after 1890 the Sherman Law added something like $50,000,000 annually to the circulating medium of the country. During the entire period 1878–93 the amount of money in circulation more than doubled.[1] Consequently the money supply was ample. On the other hand, it cannot be maintained that the crisis of 1893 was caused by an extension of mercantile credits such as brought about the disastrous collapse of 1873, for it has already been pointed out [2] that business houses and industrial establishments during the period 1891–93, instead of extending, were curtailing their operations, and were arranging their plans in the expectation of a breakdown in the financial machinery of the country. They could not have engaged in any extended or hazardous activities if they had been inclined to do so, for the reason, as already seen,[3] that very little, if any, foreign capital was obtainable for investment in the United States after 1891, and American capital likewise refused to enter into doubtful financial or industrial undertakings. So far as the withdrawal of foreign and domestic funds, however, brought about industrial and business disaster, it was not a direct cause

[1] *Report of the Secretary of the Treasury*, 1893, p. cxv.
[2] See p. 105.
[3] See p. 105 *et seq.*

of the crisis, but only the result which flowed out of the operation of the primary and fundamental cause.

This cause to which the crisis of 1893 is directly and wholly attributable consisted of a widespread fear, both at home and abroad, that the United States would not be able to maintain a gold standard of payments. The very nature of the crisis itself of 1893 bears out this conclusion. It was essentially a monetary crisis, and its typical feature consisted in the numerous failures of banks and financial institutions. Moreover, the precipitation of and the recovery from the crisis furnishes additional evidence to bear out the foregoing claim. The beginning of the crisis, as already seen, was marked by the decline of the Treasury gold reserve, on April 22, below the $100,000,000 limit; the ending of the resultant industrial and financial chaos dated from the repeal, on August 28, of the Silver Law of 1890.

The apprehension in 1893 as to the fixity of the gold standard of payments arose indirectly out of the silver agitation and legislation during the period 1878–90, and was directly traceable to the operation of the Sherman Silver Purchase Law of 1890. For seventeen years, 1878–90, the gold standard of payments was constantly threatened, and the crisis of 1893 was practically the culmination of this long period of uncertainty. Under the operation of the Silver Act of 1878, as already seen, the country received a serious shock to its confidence in the fixity of the gold standard. During the two years, 1884–86, when the silver issues of the country became redundant, the distrust in the ability of the Treasury to maintain gold payments became so great that gold was withheld in the payments of customs duties, and silver certificates worked off on the Treasury. Additions to the Treasury's supply of gold were thus cut off, and the gold reserve declined to $115,000,000 (see Chart II, p. 93). As a consequence, apprehension as to the maintenance of gold payments became widespread,

and a panic was narrowly averted.[1] As it was, the stream of silver was only prevented from overflowing the Treasury by the action of the Treasury officials in employing artificial devices to create a vacuum in the circulation. Confidence was thus temporarily restored, and during the period 1886–90 gold payments were made into the Treasury. The Treasury gold reserve increased by the year 1890 to $195,000,000 (see Chart II, p. 93).

The advocates of the free coinage of silver, however, held the balance of political power during the first session of the Fifty-first Congress, and as a result of their agitation the Sherman Law was passed, and, as already shown, almost doubled the amount of silver obligations annually issued by the Government. The country might have progressed safely under the Act of 1878, but the question of the fixity of the gold standard was opened afresh by the operation of the Sherman Law. The currency of the country soon became redundant, and, as had happened in the two years 1884–86, silver certificates and Treasury notes were used in the payments of public dues, while gold was hoarded. Consequently the Treasury gold reserve rapidly declined, and fear for the maintenance of the standard again arose. Because its supplies of gold were decreased by the displacement of gold by silver currency in the Government revenues, the Treasury adopted the policy of hoarding gold and making its payments through the New York Clearing-House in the form of legal-tender notes. This action led to a further impairment of confidence. Foreign investors and exporters saw the danger in the situation even before the people of this country, and began to withdraw the funds which they had invested in this country during the period 1886–90. Moreover, they called for the payment of trade balances in gold. Gold was, therefore, demanded for export. But the banks in the United States were hoarding gold, and gold for export could practically be obtained only by

[1] See p. 22 *et seq.*

the presentation of legal-tender notes at the Treasury for redemption. This operation caused a further inroad upon the Treasury gold reserve. Larger amounts of funds were drawn from the country, and increasing amounts of gold flowed out of the Treasury in the redemption of legal-tenders. The limit was finally reached on April 22, 1893, when the gold reserve fell below the danger-line. At that time the fears of the public over the question of the standard of payments reached a climax.

As soon as it became known that the gold reserve of the Treasury had declined below the danger-point of $100,000,000 the apprehension relative to the fixity of the standard developed into a panic. There was an immediate rush to realize on all descriptions of property before the gold standard was abandoned. The public were afraid of the adoption, as the standard of payments, of a silver dollar which was worth only fifty cents in gold. At the same time overwhelming demands were made upon the banks to pay their accounts in gold or specie, and the cash thus obtained by depositors was hoarded and the existing money supply contracted. Under these conditions gold seemed scarce. In reality gold was only relatively scarce in comparison with the abnormal offering of property for sale on account of the fear of the silver standard. In the face of the universal demand, however, to convert property into cash or some other liquid form of exchange, those having obligations to meet found it impossible to secure funds, and the result was soon seen in widespread industrial and financial disaster. Distrust of the fixity of the standard gave way to unreasoning panic, and it was not until the House of Representatives repealed the Sherman Law that the public believed that the gold standard was not going to be abandoned. With the growth of this conviction confidence was restored like magic; gold again flowed into the Treasury, and its depleted reserves were increased.

The fiscal policy of the Harrison Administration, — the

increase of Government expenditures and the cutting-down of Government receipts from customs, — by weakening the resources of the Treasury, provided favorable conditions for the play of the fundamental cause of the crisis, and thus hastened the precipitation of the disaster. The withdrawal of the enormous amounts of foreign funds during the years 1891–93, which had been invested in the United States during the prosperous period 1886–90, also rapidly drained the Treasury of its gold reserves through the necessity of providing gold for export. This process, however, as already shown, was not itself a cause, but on the contrary was a consequence of the operation of the true cause of the crisis of 1893. The fundamental and effective cause of the crisis of that year was the fear as to the fixity of the gold standard, or, in other words, the apprehension, which was prevalent both in this country and abroad, that the United States would be unable to maintain the gold standard of payments.

53D CONGRESS, 3d Session. } HOUSE OF REPRESENTATIVES. { REPORT No. 1999.

DEPRESSION OF AMERICAN AGRICULTURAL STAPLES.

MARCH 2, 1895.—Ordered to be printed.

Mr. HATCH, from the Committee on Agriculture, submitted the following

REPORT:

[To accompany H. Res.]

The Committee on Agriculture, to whom was referred the following resolution, introduced by Mr. Hatch, of Missouri, on December 10, 1894—

IN THE HOUSE OF REPRESENTATIVES,
December 10, 1894.

Mr. Hatch (by request) submitted the following, which was referred to the Committee on Agriculture:

Whereas current market prices of the principal agricultural staples have declined to about half their former rates, and are sold, in many instances, at and below the cost of production; and

Whereas such a condition must tend to the elimination of the independent landowning farmer and his replacement by a dependent peasant tenantry, which, unless prevented, will not only prove detrimental to agriculture and the kindred industries, but also to the perpetuity of American institutions: Therefore,

Resolved, That the Committee on Agriculture of the House of Representatives be, and are hereby, directed to inquire into the causes of the depression of American agricultural staples and the relative condition of agriculture to the manufacturing industries, and report the same to the House, with such suggestions as they may deem proper regarding the differences or inequalities, if any exist, so far as they are caused by legislation, or as legislation can remedy them.

Attest:

JAMES KERR, *Clerk.*
By T. O. TOWLES, *Chief Clerk.*

Beg leave to report that they have had the same under consideration and report it back to the House with the following conclusions:

Hearings were begun on December 15, and continued from time to time until February 20. The widest publicity was given to the fact that the committee was anxious to secure the most reliable information as to the causes of the depression that exists among the agricultural classes, and to receive suggestions as to the best, surest, and swiftest methods of remedying the evil.

There appeared before the committee at the various hearings gentlemen of national reputation in the agricultural world who stated their views and suggested various remedies, among whom were Mr. David Lubin, of California; Hon. Leonard Rhone, of Pennsylvania, chairman of the executive committee of the National Grange of the Patrons of Husbandry; Hon. Grove L. Johnson, member-elect to the Fifty-fourth Congress from California; Hon. Mortimer Whitehead, of New Jersey, past lecturer of the National Grange, and Mr. Alex. J. Wedderburn, master of the Virginia State Grange, whose opinions and suggestions are herewith submitted.

It is unnecessary for the committee to enter into or dwell upon the fact that agriculture is depressed in every branch of this most impor-

tant industry; that the values of land and farm surroundings (unless under exceptionably rare conditions, or in the immediate vicinity of growing cities and towns) have depreciated steadily as the purchasing power of the dollar has increased. But while the value of property owned by the American farmers has decreased in thirty years from nearly one-half of the total wealth; in 1860 to less than one-fourth; in 1890, of which 30 per cent is now under mortgage (in spite of the fact that the agricultural population has trebled and the number of farms have quadrupled, to say nothing of the immense sums expended in improvements and machinery during that period), taxes have steadily increased, and debts now require four times the labor to be paid off that was then required. The purchasing capacity of the dollar to secure the farmer's land and his produce has increased fourfold, while the power of his products to pay his taxes and debts have decreased in proportion.

In 1873 wheat sold from $1.55 to $2.25 a bushel (according to Spofford's Almanac) in New York, in 1894, it sold at 50 cents. In 1873, a bushel of wheat would pay $2 of indebtedness and leave 25 cents to pay for luxuries, necessities, or taxes. But in 1894 it takes 4½ bushels of wheat to bring the same amount, while taxes and debts remain unchanged. A man contracting a debt of $1,000 in 1873 could reasonably calculate to pay it off with 500 bushels of wheat and leave him a margin of $125 for other expenses. In 1873 it took less than 27 bushels of wheat to pay the interest on the debt of $1,000, but each succeeding year has increased the number of bushels, thus decreasing the power to pay the principal, until in 1894 it takes 120 bushels to pay the interest alone, or just 24 per cent of what it originally would have taken to wipe out the entire debt, and instead of 500 bushels of wheat it will now take 2,000 bushels to pay the original debt.

Wheat is used only as an example, but the rates of descending farm values is the same on all other staple agricultural products, and what applies to wheat applies with equal force to corn, cotton, tobacco, etc.

Without dwelling further upon the deplorable condition of the foundation industry of our country, the one upon which all other industries depend for maintenance and prosperity, the committee turn first to

THE CAUSES OF THE DEPRESSION,

and find that while there may be individual instances which could be cited to prove that other causes than those assigned herein affect the prosperity of this most important class of our countrymen, the paramount cause, the root of the evil, is legislation of a character that has robbed the American farmer, while building up his competitors in foreign countries, and making him the ready prey of all other classes at home.

The committee is directed to inquire especially into the causes of depression, "so far as they are caused by legislation or as legislation can remedy them."

And in following out this line of investigation do not hesitate to assert that the chief causes that depress the agricultural interests of the country

ARE DUE TO PERNICIOUS LEGISLATION.

Class legislation of the worst character encumbers the statute books, and has been carried on to the detriment of agriculture and its dependent industries for thirty years, culminating in the crime of the age, the demonetization of silver in 1873.

THE DEMONETIZATION OF SILVER

was a bold stroke in the interest of capital that has reduced the value of every product in the world. This is conclusively proven by the fact that just as silver has depreciated, in like proportion have all other values fallen in the scale. Silver bullion to-day has the capacity to purchase as much wheat, cotton, pork, corn, and land and every other commodity, that it ever had, therefore the depreciation of the white metal simply means the depreciation of every article under the sun, with one single exception, the gold of Shylock.

THE PRIME CAUSES.

Therefore is the most heinous financial legislation that the world ever saw; legislation that has struck down every industry by robbing agriculture of its capacity to pay its debts and purchase necessary supplies—legislation that affects manufacturer, commerce, labor, and transportation alike, in destroying their best and largest customer—agriculture. For facts and figures which thoroughly sustain the position of the committee, reference is made to the address of Mr. Whitehead delivered before the committee.

Next in importance and closely connected is the other crime of

UNEQUAL TAXATION.

The tariff system of taxation is not only unequal, but as for the past thirty years administered in this country is most unjust to the consumer, and has built up trusts, combines, and gigantic corporations, that have not only amassed immense wealth at the expense of the people, but which have assumed to control and direct legislation so as to perpetuate their power and gratify their greed.

The tariff bears with undue weight upon the producer of agricultural staples, as it forces him not only to buy in the dearest market, but to sell in open competition with the world's lowest prices. The producer of staples, as shown conclusively by Mr. Lubin in his statement before the committee, is forced to buy in the highest market under the present system and pay for his necessities not only the world's price, but the world's price plus freight to place of consumption, plus tariff, plus profit of importer, jobber, and retailer, not alone on the price of the article but upon all combined, as the percentage of profit is not alone upon the original cost, but upon each addition of freight, tariff, profit, etc., as it passes through the channels of taxation, trade, and transportation until it reaches the consumer, who is thus forced to buy in the dearest market of the world. Nor does this alone apply to the products that we import, but upon the much greater proportion manufactured in this country, thus giving the manufacturer the power to enrich himself at the expense of the people; and when competition has become too great for comfort or convenience, it has enabled him, in direct violation of Federal and State statutes, to form trusts and other combines, amenable to neither the laws of God nor man, to force down production, destroy competition, and rob the people with ruthless hand. While this protective policy may have enabled the manufacturer to pay better wage rates, it is an established fact that without organization labor would have been shown little mercy at the hands of these tariff "barons," and even their organizations would fail to protect the workingman were their votes not needed to perpetuate this system of legalized robbery.

This protective system combined with our deplorable financial policy has prevented the growth of American commerce, has swept from the high seas the American flag, destroyed American shipping, once our proud boast, and given that ingenuous and thrifty little island across the sea the opportunity to increase her wealth, expand her markets, develop her resources, increase her shipping, and concentrate her power to buy low and sell high at our expense. England has availed herself of the idiocy of American legislation and used our silver to coin into rupees to develop Indian wheat growing; she has used this same silver to develop the growth of wheat in Argentine, North Africa, and other lands. We are faced with the startling facts that the American farmer not only has to bear the unjust burden of unequal taxation at home, but abroad he has to compete with the cheapest labor in the world, and this competition is becoming fiercer every day, as the use of American agricultural machinery, made here and in Europe, is rapidly extended throughout these new agricultural fields where the land is low and fertile and labor plentiful and cheap.

The world's competition must be met. That is a matter that legislation can not remedy. (American legislation doubtless aided in building up this competition, but like Banquo's ghost, it will not down; the remedy must be sought in another channel.) Argentine, that in 1870 shipped only 1,700 tons of wheat and purchased American flour, in the first six months of 1894 shipped 1,029,546 tons of wheat and 20,628 tons of flour. Russia increased her exports of wheat from 83,170,011 bushels in 1890 to 321,497,000 in 1893. More startling still is the fact that Bulgaria alone shipped last year 4,765,000 bushels more of Indian corn than this country.

Without desiring to cumber this report with statistics, a few sample figures are taken from the statistical report of the Department of Agriculture for December, 1894, which may not prove uninteresting, and they are certainly instructive.

We find the number of farms in the United States to be in—

1890	4,564,641
1880	4,008,907
Increase of farms	555,734

The percentage of increase in the decade was 16.25 per cent.

Number of farms in the manufacturing States of New England, New York, Pennsylvania, and New Jersey:

1880	696,139
1890	658,569
Decrease	37,570

The percentage of decrease in the decade was 5.40 per cent.

In the same States the acreage was—

1880	67,985,640
1890	62,743,525
Acreage decrease	5,242,115

Percentage of decrease, 7.71 per cent.

AVERAGE VALUE OF FARM PRODUCE—1893.

For the entire United States per acre, $6.88.

For New England, New York, New Jersey, and Pennsylvania, $9.88, about 50 per cent above the average, and yet agriculture pays so

badly that there is a decrease of over 5,000,000 in the farm acreage in ten years in these States.

We will next take the wheat production and values in the United States:

Wheat production:		
In 1880	bushels..	498,549,868
In 1894	do....	460,267,416
Decrease in production	do....	38,282,452
The value of the crops:		
In 1880		$474,201,850.00
In 1894		225,902,025.00
Loss in value		248,299,825.00
The value per acre:		
In 1880		$12.48
In 1894		6.48
Loss in value		6.00
The average yield:		
In 1894 (per acre)	bushels..	13.2
In 1880 (per acre)	do....	13.1

Thus it will be seen that with an actual increase in the yield per acre, but a loss in the total crop of only 38,282,452 bushels, that the money loss reached the tremendous sum of $248,299,825 between these years, a depreciation of about one-half. Nor are these reductions confined to wheat, as will be proven by the following from the same authority:

AVERAGE PRICES—AGRICULTURAL PRODUCTS.

		Cents.
Cotton:		
August, 1893	per pound..	7 9/16
November, 1893	do....	7 11/16
August, 1894	do....	5 1/4
November, 1894	do....	5 1/4
Tobacco:		
November, 1893 (New York)	do....	8–10
November, 1894 (New York)	do....	5– 9

In looking for reductions we need not stop at staple products for we see in the depreciating price list articles that in the New York market might surely find the advantages of the home market:

		Cents.
Butter:		
November, 1893	per pound..	29–30
November, 1894	do....	24–25
Eggs:		
November, 1893	per dozen..	27
November, 1894	do....	25

Before quitting statistics we will add the imports and exports for 1894:

Total imports	$654,994,622
Total exports	869,204,937

Of which sum the agricultural exports amounted to $628,363,038, leaving for all other industries only $240,841,899, of which sum a large portion was made up of articles into the manufacture of which the products of agriculture largely entered.

The great sum of $654,994,622, which has to be paid for our imports annually, proves that the theory of the advocate of

can not be sustained as a means of relief, because we must pay this large annual drain upon the country, and as it can not be paid in coin, because we have not got the coin, nor in our protected manufactures, because the world can supply itself elsewhere at a less price, and because we fail to allow the world to come into our markets, and shut our doors in its face, and build a Chinese wall around our country by our system of protection; therefore, to meet our indebtedness abroad for our imports, and interest on our Government, State, municipal, and corporate bonds held by these people, we are compelled to produce agricultural products to send in exchange for this indebtedness, or become bankrupt. To reduce our agricultural exports would simply add to the trouble and entangle us still more in debt to Europe, and add to, rather than relieve, the burden. It will also be seen by the figures given that the wheat crop has decreased, while population has increased one-third in the same period. This is another proof that the remedy does not lie to any appreciable extent in diversified crops, and also rebuts the "future" gambler's claim that prices are not affected by his manipulations.

Although the money value per acre has largely decreased, as shown, it is conclusively proven that this is not due to a decreased yield per acre, as the yield has slightly increased. Increased knowledge of fertilization and better methods of cultivation in the more thickly settled States, and everywhere that intelligence is applied to farming, is adding to the productiveness of our farms and the increase of crops. With the encouragement of better prices the farmer would be enabled to avail himself of improved methods, and increased production would add to the comfort and happiness of mankind. With millions starving for want of the crops that a bountiful God gives to us, the cry of overproduction is not only absurd, but it is criminal.

The Atlanta Constitution recently published the following editorial:

LIGHT IN A DARK PLACE.

The Springfield Republican, referring to the decline in the value of wheat during the past fifteen years, and showing that the overproduction theory does not hold good with respect to this particular commodity, says:

"Much has been said lately by the English newspapers about the possible American repudiation of debts due abroad through a drop to the silver basis in this country. But in that event we should at least give back a dollar which would buy as much wheat as the dollar borrowed fifteen years or twenty years ago. It would not be the same kind of a dollar. It might, therefore, be called a dishonest dollar. But it would be a dollar of equal purchasing power in this particular case. We think it would be better and more honest to pay back the same kind of dollar we borrowed. We had better err on the side or overpayment than underpayment. But when Englishmen talk so warmly about repudiation, they would do well to consider this other phase of the question for a moment."

Speaking of the fall in the price of wheat, we venture to remind the Republican that there has been a considerable fall in the prices of all the staple products of human labor, and that this fall has not been accompanied by any of the signs of prosperity or comfort. There has been a tremendous fall in the prices which the New England manufacturers formerly received for their goods. This fall has not only put a pressure on wages such as no labor union can withstand, but it has brought the East face to face with new and threatening conditions.

As a matter of fact, New England, with its millionaire bondholders and money lenders, is in a better fix than the rest of the country, but the common people of New England are no better off than producers elsewhere.

Money being the only medium of exchange that we have, a general fall in prices means that there is a smaller supply of that medium to go into trade and to stimulate business. The farmer who sold 100 bushels of wheat for $104 fifteen or twenty years ago, and who now sells the same amount for $49, has lost $55. It is not altogether the farmer's loss, either. It is lost to traffic, to trade, to business. It is lost

to the railways, the middlemen, the retail merchant, and the wholesale dealer. The loss on last year's crop is more than $200,000,000.

It is an easy matter for the superficial mind to say that this loss is made up for by the increased purchasing power of the $49 the farmer receives for his 100 bushels. But will $49 pay any more debts or taxes than $104 would fifteen years ago? Will it pay half as much? No; the loss to the farmer is a loss to trade and business, and hence we see the extraordinary depression that has cast its dark shadow over every part of the country.

We are of the opinion that the Republican and a number of other honest Eastern newspapers will see a great light shed on the financial problem before the country gets out of the woods of gold monometallism.

The manufacturer and laborer, not alone of New England, but of the whole country, must squarely meet the issue and face the condition that confronts them. Agriculture has gotten to the verge of ruin; it has reached the point where production ceases to be profitable and where the manufacturer would close down and turn out his employees to shift for themselves; but the farmer can not do this. He can not stop. The plow must plod through the furrow and "springtime and harvest" must come as the sun revolves. The farmer can not stop; he continues, and, as he raises crops to sell at less than they cost him to produce them, they raise the mortgage higher each year and make the labor of life more difficult as the seasons come and go. First one economy and then another is forced upon the family. The hired man is driven from his place, and he too becomes a drag upon society; the country merchant is made to feel the pressure of the times, and he reduces his purchases or is driven into bankruptcy; next, inexorable fate crushes its way into the wholesaler, and finally the manufacturer is made to comprehend, as is the transportation companies, that distress is abroad in the land and that prosperity hath taken flight.

A stoppage of orders at the factory stops the mill, and the operatives learn, alas now that it is too late, that protection when unequal and unjust recoils upon its very pets, and retribution comes, bringing in its wake dire disaster to the entire body politic. Nor does the trouble cease here; the "endless chain" that encircles this round of distress and dire calamity seems only to have but begun its fatal work. The wage earner, sent adrift upon the world, must cease to be a purchaser, and the home market man with his garden truck, his milk and butter; the grocer, the dry goods man, the doctor and preacher, each and every one, in turn suffers and drinks the dregs that fill to overflowing the cup of sadness that must inevitably follow laws that oppress and rob one class of the people to enrich another. Fate, inexorable fate, hath so decreed it, and Heaven itself would be unjust were it otherwise.

Agricultural depression is still further augmented by the

SALE OF FUTURES

on our stock exchanges where the grain gamblers grow rich by farming the telegraph wires and selling wind, while the honest and industrious toiler on the prairies reaps the whirlwind.

FOOD ADULTERATIONS,

in using cheap and unwholesome compounds, add millions annually to the farmers' losses.

To these might be added other causes, but the principal ones to which agricultural depression and stagnation in trade is due have been cited.

lies in remedial legislation. Until that is secured relief will not come permanently. A spasmodic revival of business may be caused by many things, not the most unlikely of which would be the letting up of the thumbscrews by the money and manufacturing rings for a season, so as to enable them to control the next election, and thereby gain another lease of power to again put the thumbscrews upon the patient toilers at the plow. The question is, will the farmer allow this further robbery, or will he resent the imposition put upon him at the polls?

While too late to secure for the people the remedy for the ills herein alluded to by this Congress, it is suggested that relief can only come by prompt action at the ballot box to restore American liberty and preserve American equality. In the opinion of your committee the remedy for these wrongs caused or permitted by legislation is through legislation. The American people should see that no man is elected to Congress who is not pledged to right the wrong and oppression under which they now suffer.

The arguments of the gentlemen who appeared before the committee and addressed it upon the subject of the resolution are printed herewith and made a part of this report.

While the committee does not give its indorsement to the views expressed by some of the gentlemen who appeared before it, it nevertheless recognizes the potency and force of their arguments and the imperative necessity for prompt legislation to remedy the evils which afflict the whole country.

In conclusion, to secure relief we suggest:

First. That silver should be remonetized at the ratio of 16 to 1.

Second. That so long as the present unjust and unequal system of protection continues agriculture should receive its just proportion, and as this can not be secured by a protective tariff, a bounty on exported agricultural staples might be allowed similar to that on fish in 1813 and for which John C. Calhoun voted.

Third. That gambling in futures should be prevented by law.

Fourth. That a national pure-food law should be enacted.

AN INQUIRY INTO THE CAUSES OF AGRICULTURAL DEPRESSION AND THE REMEDY THEREFOR.

FIRST DAY'S HEARING.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Saturday, December 15, 1894.

The Committee on Agriculture having under consideration a certain resolution inquiring into the depressed condition of agriculture met at 10.30 a. m., Hon. W. H. Hatch in the chair.

Personally appeared before the committee Mr. David Lubin, of Sacramento, Cal.; Mr. Alex. J. Wedderburn, master of the Virginia State Grange; and Mr. Leonard Rhone, master of the Pennsylvania State Grange, and chairman of the executive committee of the National Grange; Mr. Ager, overseer of the Maryland State Grange, and others.

The members of the committeee were the Chairman, and Messrs. Alexander, Sibley, Marshall, Flynn, Shell, and Simpson.

The CHAIRMAN. At its regular meeting on Wednesday last the committee adjourned over until to-day to hear Mr. Lubin, of California, on a resolution introduced and referred to this committee on December 10, 1894, which I will read for the information of the committee.

The resolution was as follows:

IN THE HOUSE OF REPRESENTATIVES.
December 10, 1894

Mr. Hatch (by request) submitted the following, which was referred to the Committee on Agriculture:

Whereas current market prices of the principal agricultural staples have declined to about half their former rates, and are sold, in many instances, at and below the cost of production; and

Whereas such a condition must tend to the elimination of the independent land-owning farmer and his replacement by a dependent peasant tenantry, which, unless prevented, will not only prove detrimental to agriculture and the kindred industries, but also to the perpetuity of American institutions: Therefore,

Resolved, That the Committee on Agriculture of the House of Representatives be, and are hereby, directed to inquire into the causes of the depression of American agricultural staples and the relative condition of agriculture to the manufacturing industries, and report the same to the House, with such suggestions as they may deem proper regarding the differences or inequalities, if any exist, so far as they are caused by legislation, or as legislation can remedy them.

Attest:

JAMES KERR, *Clerk.*
By T. O. TOWLES, *Chief Clerk.*

The CHAIRMAN. The committee will please be in order; and the chair requests not only the members of the committee, but the visitors present to maintain order while the gentlemen address the committee. I have the pleasure of introducing Mr. David Lubin, who will speak to you.

STATEMENT OF MR. DAVID LUBIN, OF SACRAMENTO, CAL.

Mr. Chairman and gentleman of the committee, without further preliminary statement, I will endeavor to set forth what I believe to be the remedy for the depressed condition of agriculture and for the removal of the inequalities which have been caused by legislation. I advocate a Government export bounty. I have prepared a paper which I will read, and will be glad to answer any questions as I proceed. What I state here I know to be the fact, and my information comes almost entirely from practical experience, and not so much from books.

Mr. Lubin read the following paper:

Mr. Chairman and Gentlemen of the Committee: As a remedy for the depressed condition of agriculture, and for the removal of the inequality that in our country exists between the relative value of agricultural staples and manufactures caused by legislation, I advocate a Government export bounty on agricultural staples.

The chief cause of the low prices of agricultural staples, not alone in our country but throughout the world, may be readily traced to the efforts of England.

In her desire to procure for herself the two necessary essentials for commercial supremacy she has left nothing undone which was in her power to do.

These two essentials are cheap food and cheap raw material.

Realizing that the protective policies of the other European countries and of the United States would debar them the utility of these advantages, that to her alone would accrue the advantages to be gained from these important factors for success, and realizing further that as long as she alone would reap the advantages of cheap food and of cheap raw material that she would have a world advantage over all competition, and that this was the true path toward the world's commercial supremacy, she put into operation a series of methods best calculated to bring about the result she desired.

The first important step was in the abolition of her corn laws, the second in the securing of vast territories, and the third was the introduction into those territories of labor saving agricultural machinery.

Under this policy England drove out Araby Pasha from Egypt and took possession of that country. To carry out this same policy, the Government of India was changed by declaring the Queen of England Empress of India.

Then she began building great canals, irrigating ditches, and docks. Harbors and rivers were made navigable, and great subsidized railway lines were constructed.

She sent large, well-disciplined armies to her tributary provinces, and sent her powerful war ships to overawe and to intimidate the subdued and conquered nations, and when all was prepared, she then took copies of American agricultural machinery and placed them in the hands of the cheapest and most dependent field labor in the world, confidently awaited results, and the results are here. These labor saving agricultural machines in the hands of the cheapest field labor in the world, and on lands as fertile and much cheaper than ours, and operated under the peasant tenantry system, produced the effect aimed at by her. As a result, food and raw material can now be had cheaper in England than ever before.

Nor is this condition a temporary one; on the contrary, the best informed unhesitatingly state that the era of low prices for agricultural staples is here to remain.

A few years ago an agricultural machine was a novelty in Europe To-day there are great manufacturing plants of modern agricultural implements and machinery, not alone in England, but in Germany, France, Austria and Belgium, and they find ready market for them in Egypt, India, North Africa, Asia Minor, the Danubian Provinces, European and Asiatic Russia, Eastern Asia, and South America.

The economic value of these labor-saving agricultural machines to the commercial supremacy of England is significant.

Without these aids to cheap production, all her other agencies would not be sufficient to avail, for there is a vast difference between the efficacy of machine over primitive agricultural hand labor.

Of greater significance, however, has all this been to the economic condition of the United States.

But a few years ago, and we were the almost exclusive users of agricultural machinery, and because of this fact the producers of agricultural staples could afford to pay the entire enormous cost of protection to manufacturers and still come out with a handsome profit ahead.

This is now no longer possible; for, with the world's prices of the principal agricultural staples at half or less than half their former rates, they are now produced in our country close at or below cost.

Under these circumstances, the time must come when the former independent land-owning farmer must be driven to bankruptcy and ruin, and his place will be taken by a dependent degraded peasant-tenantry system, and when that time comes, the farmers of our country will not stand alone as the sufferers.

The immediate results to follow will be in the great shrinkage of the purchasing power for the products of labor, and millions of workers in the manufacturing centers will be in enforced idleness.

The economic disturbance, unless arrested, must tend in the direction of a greatly increased standing army, and ultimately end in radical changes in our form of government, perhaps changing it into a despotism or monarchy.

These changes seem impossible now, but they seemed equally impossible at a time when Rome was the most powerful republic in the world.

The root of the cause of her decline and fall finds a comparative parallel in our present economic condition. The conquest of Carthage, Egypt, Syria, and Asia Minor brought Rome many millions of captives. These she employed under the lash and without pay in the production of agricultural staples.

The free wage-paying farmers of Italy could not compete with this slave labor, and as a result were driven into debt which they could not meet.

Presently their farms were foreclosed, and the former independent land-owning Roman farmer was driven from his farm, and he became a houseless, homeless vagabond, yet a Roman citizen. He drifted to Rome, and when there he chose a new occupation, he became a politician, and elected that party which promised him the most "largess." In order to hurry a succession of "largess" he found it convenient to change the administration as often as possible, and to hasten natural events he found it expedient to kill off the rulers.

And so Rome fell. A miserable fall it was, but not at all undeserved.

Now, we do not conquer or enslave foreign nations. England has done this for us; but the result is precisely the same as if we had done this ourselves.

The products of the cheapest, most dependent field labor in the world,

supplied with modern labor-saving agricultural machinery, comes into direct competition with the products of our independent, high-wage-paying, land-owning farmers, and the result must be in their elimination, in their being driven to our cities.

Once in the cities and they will cry "protection," which is but another form of "largess."

Why, then, should the American producer continue the production of agricultural staples when he can no longer do so profitably? Because he can not produce anything else that will be more profitable, and because to abandon his holding would be instant ruin.

But can we not enhance the price of agricultutal staples in our country by reducing the area under cultivation?

No; not unless the entire crop is below the export point. As soon as there is a surplus, it must be exported, and the export buyer will pay us no more for it than it can be bought from the cheapest labor countries of the world, and the ruling prices of which are quoted in the chief market center where it is bought in the greatest quantity, and which center is at Liverpool.

As soon as the surplus is offered at the Liverpool price, the same Liverpool price rules for the greater portion which is sold for home consumption.

Therefore, as soon as there is a surplus, the home price for the entire crop is the Liverpool price, less the cost of transportation from the place of production to Liverpool, even though the product is consumed within a stone's throw from the place of production.

Can we not by protection stimulate home manufacture to a degree that will give us that greater home market which will consume our present surplus at home?

If this were possible, it would remove our difficulties, for, with no surplus to sell abroad, it would then be possible for us with the aid of the protective tariff to enhance the price of agricultural staples in our country to any artificial price that protection permits, and staple agriculture would be in the same comfortable position that protected manufacturers are.

A portion of agricultural products now produced in our country are actually in that position now, and these products consist of kinds of which we do not produce a surplus for export, and which are to a great extent raised and sold near the great cities. Such agricultural products are, however, not under discussion, for they practically are as much protected as manufactures, and at the expense of the great staple agricultural industry.

Unfortunately the idea of home consumption of our present surplus agricultural staples, by fostering home manufactures through protection, must be abandoned as of no practical value whatever.

Apart from many other valid objections, it is only necessary to point to the fact that we buy about $800,000,000 worth of commodities from the world every year. We must pay for them promptly when due. What shall we pay with; shall it be with gold or silver? Where would we get it from. Even if we had all the precious metal in the world we would have nothing left in about ten years. No; nations do not pay in bullion, excepting only those who are bankrupt, and are forced to.

Nations simply exchange commodities, and only give bullion whenever the balance of trade demands it. Now, as long as we buy of foreign nations such things as tea, coffee, spices, medicines, tropical fruits, raw material, or manufactures we must pay for them, and besides these we must not overlook interest on foreign debts. If we can not pay in bul-

lion we must pay in commodities. Now, the question is, what kind of commodities? Clearly those which will be accepted by the foreign countries, just the same as we buy of them only those things that we most want.

Will the foreign nations accept our highly protected manufactures? Will France buy our millinery, England our hardware or textiles, or Austria our miscellaneous manufactures? No; they will do nothing of the kind.

Our protective system renders our manufactures so high as to render their export in payment for their import impracticable. To illustrate: In 1893 the total value of imports entered for home consumption was $844,454,583 and the total exports of domestic merchandise was $831,030,785, divided as follows: Mining, $20,020,026; forest, $28,127,113; manufactures, $158,023,118; fisheries, $5,541,378; miscellaneous, $3,936,164, leaving a remainder of agricultural staples of $615,382,986, or 74.05 per cent of the whole.

It will thus be clear that as long as we import we must export, and as the nations do not want our protected manufactures, we must pay, as we have been paying them, in agricultural staples, and as soon as we do we must have a surplus, and when we sell this surplus we can get no more for it than can the producers in the cheapest labor countries in the world, or, in other words, the Liverpool price, and just as soon as we accept this price for the necessary surplus we must accept this same price for the greater portion used for home consumption, and from which is first deducted the cost for transportation from the place of production to Liverpool.

Our friend, the protectionist, is forced to admit this, but he seeks to escape from the difficulty by claiming that while the surplus is sold at these world's free-trade Liverpool prices that the much greater quantity remaining for home consumption, and which is bought by the protected at the higher prices which protection affords, gives to the producer of agricultural staples that just protection average which he is entitled to. He further believes that this average can be increased in proportion as protection on manufactures are increased.

"For," says he, "protection will increase the factories, hence an increase in the number of employees at high wages. These factories in close proximity to the farms will so increase the price of that greater portion of agricultural products used for home consumption as to raise the average home price." Thus he hopes to render to the producer of agricultural staples that just measure of indirect enhancement of prices for his product which manufacture receives by the tariff. He claims further that these staples are protected—are as much protected by the tariff as manufactures are.

Unfortunately, however, the claims of the protectionist are without any foundation whatever. For, in the first place, as soon as there is a surplus and it is offered in the open market, it will bring no higher price than the surplus of the cheapest-labor country of the world; and as soon as this price is accepted for the surplus this same price, and no more, can be obtained for that greater portion sold for home consumption.

There is no distinction whatever between the export and home buyer. Both buy at the same price—at the Liverpool price. Hence we have as a result that the farmer receives for his entire crop of agricultural staples the world's free-trade Liverpool price, less cost of transportation from the place of production to Liverpool, and this, whether the product

actually goes to Liverpool or is consumed by the highly protected factory hand, even though the factory be within ten feet of the farm.

Of what value, therefore, is the protected factory in close proximity to the place of production of agricultural staples as long as there is a surplus of these products for export? None at all.

Further, of what value is a protective tariff on agricultural staples in order to enhance their prices in this country as long as there is a surplus for export? Of no value whatever, for a protective tariff can not enhance the home price of an export as it can of an import.

Let us now summarize the workings of this system, and we shall soon discover the inequality existing between manufactures and staple agriculture, and how far these inequalities are caused by legislation.

Some protectionists claim that the duty on import manufactures are paid by the foreign manufacturers.

This is so plainly and palpably false that there is no necessity to prove it so. What foreign manufacturer can afford to sell his goods at from 25 to 60 per cent cheaper to us than he is willing to sell them in his own country? The fat is that every penny of the duty is paid by the consumer.

Nor is this all, for in addition to the duty there are the profits of the importer, jobber, and retailer to be added.

Take a $50 duty, for instance, and add these profits thereon, and we have the following:

Duty $50, 15 per cent for the importer's profit will increase the $50 to $57.50; now add 20 per cent for the jobber's profit to the $57.50, and we have $69; now add the re ailer's profit to the $69, and we have a total of $86.25, as the real duty or tax, and it is this duty, this tax, which the consumer pays, and not the Government levy of $50. Now, there is not a single penny here paid out which is for the goods proper. The $50 duty, which becomes $86.25, and which is paid for by the consumer, has in reality nothing to do with the world's free-trade price of the goods. If there were no duty there would be no $86.25 to pay. The national legislature, through its law-making power has, by its fiat, created an artificial enhancement of $86.25.

Government, therefore, has done an act which causes an artificial enhancement on imports. And for what purpose? Was it for necessary revenue for Government expenses? No; for it could for that purpose raise revenue on coffee, tea, and on other imports which it permits free entry. The high duty placed on certain articles of imports is for the purpose of protecting home manufactures against the importation of foreign manufactures at lower prices.

Now, as all consumers pay these enhanced prices, and as all the people are consumers, there can therefore be no cause for complaint, for by this means all the people are justly taxed to support the Government. So it seems, but unfortunately this is not true. In reality all this protective tax, this enhancement and profits thereon on imports, together with the enhanced prices on home manufactures, is paid by the producers of agricultural staples, for they alone are compelled to sell their products at home and abroad at the world's free-trade Liverpool prices, less the cost of transportation from the place of production to Liverpool, coming into direct competition with the cheapest labor countries of the world, and are further compelled to pay for labor and necessities at the highest prices in the world. Being the only great body of producers in our country to do this, they are the only ones who actually pay for all the enhancement caused by the operation of

the tariff, and in addition to this they pay all profits thereon and all the expense for carrying out the protective system.

All others are amply compensated for high prices by a still higher price for their labor, skill, talent, time, interest, manufactures, commodities, or rent. Thus indirectly, through the protective system, they help themselves through their votes in obtaining this higher compensation, compelling thereby the unprotected producer of agricultural staples to foot the costs of this one-sided and unjust protective system.

This system while always unjust was nevertheless persisted in. And because the producers of agricultural staples in our country were until recently the almost exclusive users of agricultural machinery, they could afford to pay the unjust costs of protection, and still come out ahead.

The time has, however, come when this one-sided and unjust system must cease, for if we persist in continuing this injustice now, when agricultural machines are in the hands of the cheapest field labor in the world, and when production is down to or less than cost, we not alone commit an injustice, but we become destroyers of the Republic. I do not believe that the farmer is any more "nature's nobleman" than is the shoemaker, but I do believe that the landowning farmer is absolutely necessary in the preservation of our American institutions; for, in the nature of things, a free republican people must have a conservative body and a progressive body. While the landowning farmers remain on their farms we have in them the conservative body, and in the citizens of the cities we have the progressive body. If our economic conditions are such as to drive the farmers to the cities, and should their places be taken by a degraded cheap-living peasant tenantry, then are the days of our Republic numbered, and we see in the present condition the beginning of the end.

There are two remedies for the removal of the injustice and inequality: One is in the absolute abolition of the protective system and its replacement by free trade; the other is in providing a method of protection for agricultural staples so that its prices in our country are enhanced as imports and home manufactures are enhanced.

The first mode of removing the inequality is, to my mind, not practicable in our time, because the people do not want free trade, would not vote for it, and even if they did they would be likely to return to protection with a change in the administration.

The time may probably come when free trade may not alone prevail in the United States but throughout the world. That time, however, is so distant as to render this mode of equalizing the present inequality utterly impracticable.

Those who persistently reject any other mode of equalization of present conditions, except it be by free trade, are likely to do the cause of the farmer more mischief by their opposition than any practical good they may be able to accomplish.

Free trade would certainly place the producer of agricultural staples on a level with those now protected, but what would become of the American standard of wages? The free-trader believes that it would remain where it is, or if it decline, that the compensating fall in prices would equal any loss. The protectionists, on the other hand, claim that free trade would drive our wage rate down to the European level, and with no compensating decline in rents or in food staples, for these are already lower in the United States than in Europe. They further claim that the European wage rate is half and less than half of what it is here; that with free trade the United States would enter as a world's

competitor in manufactures, and that the world's competition would be keener than ever, and that the lowering process would continue; that all this would be a deteriorating and revolutionary step too radical in its far-reaching results for the peace and perpetuity of American institutions.

They also point to a new and serious danger in the recent introduction of manufacturing machinery in China and Japan, and that under free trade our labor would not only be obliged to compete with the European wage rate, but presently with the Asiatic rate as well. Nor are these fears without foundation. We see what mischief has been caused to American interests by the introduction into the cheap labor countries of agricultural machines. How much greater may not the economic disturbance be when manufacturing machines will be placed in the hands of the millions in Japan and China.

Residents of the Pacific Coast who are familiar with the facts realize that the "greenhorn" Chinaman who arrives in San Francisco, wearing his umbrella hat, and whose gait, as he shuffles along to "Chinatown" with his cross-stick and bundles, make him seem the clumsiest of the human race, becomes, after a short apprenticeship, a skilled workman, and is able to run a McKay machine as skillfully as a "white" man. In San Francisco he can be had for $1 a day, but in China he can be had for one-fifth or less than that amount.

What would prevent their machine-made goods under free trade from flooding our markets? Nothing. Have not the cotton spindles at Osaka, Japan, multiplied greatly? Who can compete with the Japanese women, who receive 8 cents per day?

The free traders say that they are willing to take their chances and are not afraid of the cheap labor. Perhaps not, but we must not overlook the fact that the free traders have really little to fear on that score, for as a rule they are more often college professors than laborers. England is pointed to as an example of free trade, but England is not near the free-trade country that many suppose her to be. Her subsidized ships, her subsidized railways, her armies, and her powerful navy, all these are for aiding her manufactures.

Let us now turn our attention to the proposition of the Government bounty on exports of agricultural staples as a means of equalizing the inequality that now exists in our country between the relative values of agricultural staples and of manufactures.

In the first place, I desire to draw attention to the fact that a bounty on exports differs radically from a bounty on production. The sugar bounty, for instance, was a bounty on production, and which was paid on every pound raised. A bounty on exports calls for payment on the exports only, which, when done, enhances, not alone the price of the quantity exported, but likewise enhances the price to the very same extent of the greater quantity for home use without any further payment by the Government. This is so because there is no distinction between the price paid by the exporter and the buyer for home use; therefore, when the export price is raised the home price is also raised to the same degree.

I wish, secondly, to state that I am speaking of no novelty here, that an export bounty on wheat was in operation in England before the abolition of protection in that country, and that the price of wheat rose with the full measure of the export bounty.

The Government bounty on exports, together with the protective tariff, will accomplish for agricultural staples what the protective tariff now does for manufactures. Every dollar received as protective duty

represents several other dollars by reason of home manufactures, the enhancement of which was made possible by the dollar collected as duty, so with the export bounty. Every dollar paid out on export agricultural staples will likewise represent several other dollars in the equal enhancement of the price of the greater quantity for home consumption.

To illustrate the export bounty plan: If we take the wheat crop of 1892 we find that the total production was 611,780,000 bushels, of which there were exported 225,665,812 bushels, leaving for home consumption 386,114,188 bushels.

Now, a Government bounty of 1 cent a bushel would have cost the Government $2,256,658.12, and the enhancement to the producers would have been $6,117,800.

A 5-cent bounty on the export would have cost the Government $11,283,290.60, and the producers would have realized in enhanced prices $30,589,000.

By the payment of a 10-cent bounty per bushel the cost to the Government would have been $22,566,581.20, and the producers would have realized in enhanced prices $61,178,000. It is not deemed necessary to give other examples of corn, cotton, or other staples, as the example given is plain enough.

I will now endeavor to briefly answer several objections which have been offered against this proposition. The first is, that the speculators would reap the benefits of the bounty. Before they could do this, a combination would have to be formed, which would have to include all the wheat buyers in this country, for the absolute control of the world's shipping, and for the entire crop besides. If this can be done in our country now, it could have been done in England when this system was in operation there. Wheat there rose to the full measure of the bounty paid, and there were as sharp wheat speculators in England then as there are now in the United States. If the shipping of the world and the entire crop of agricultural products could be cornered by a syndicate under the bounty system, it can be done as profitably without it. The producers have more to fear from option transactions, from those who sell wheat or cotton and who have no wheat or cotton to deliver and who do not intend to deliver any, than from those who buy and sell actual agricultural staples.

For all legitimate purposes, it is only necessary to know the Liverpool quotations, the rate of transportation, and the amount of the bounty. Any farmer knowing these facts, will know as much as the average buyer. Open competition must give the producer every fraction of the bounty.

Another objection raised is that the bounty will stimulate production in this country to such a great extent as to lower the demand and the price. A 1-cent, 5-cent, or even a 10-cent bounty per bushel on wheat at present prices would certainly do nothing of the kind, and the law could provide that in the event that the price arose to a certain figure the bounty would not be paid, or a sliding scale could be adopted for that purpose.

Another objection offered is that an American export bounty on agricultural staples would lower the world's price. It would do nothing of the kind, for the United States is but one factor in the world's price, and the world's price is regulated by the production of the entire world. The German producer in offering his wheat to Liverpool would receive a higher price than the California producer, although the cost to the Liverpool buyer of both purchases when laid down in Liver-

pool would be the same. The buyer would pay the German producer more, because the expense for transportation from Germany to Liverpool is less than from California to Liverpool. Germany has therefore a world's advantage over California, which no power can take from her. With a bounty high enough, the American producer will have an advantage over the German producer.

We had a world's advantage when we were the almost exclusive user of agricultural machinery, and we lost this advantage when these machines were placed in the hands of the cheapest labor countries in the world.

A bounty on exports will not give us the power to raise, nor will it lower the world's price; it will simply enhance the price in our own country, and which enhancement is to compensate the producer of agricultural staples for the cost of protection on manufactures. He should ask for no more, and ought not to receive less, and when he does receive what is here advocated he will only receive what is justly due him. For this proposition does not advocate special legislation, but, on the contrary, seeks to do away with the special legislation now existing in the interest of all, except and at the expense of the producer of agricultural staples.

Another objection offered is that an American bounty on exports of agricultural staples will stimulate other nations to do likewise. In the first place, there are not many countries producing a surplus for export, and these are not of a kind that can afford to do so. But suppose they were, what then? It could do no harm at all, for a bounty on exports can only have the effect of raising the home price.

Another objection raised is, that the cheap labor countries of the world, who are now aided by labor-saving agricultural machinery, will so develop production that in a short time prices may be as much lower as the bounty given would amount to, and thus the benefit of the bounty to the producer would be swallowed up, and the expense to the Government would remain.

This objection when carefully analyzed is no more valid than the others. It is certainly possible that production in the cheap labor countries would go on increasing, and thus continue to lower the world's price. But our producers would still have the advantage of the bounty on exports, and this would be the advantage that the American producer of staples would have over the cheap labor countries. And this would be no more advantage than manufacture has to-day over the cheaper labor of Europe. During campaign time protectionist speakers are very vehement in their statements about protecting American industries against the competition of the "pauper" labor of Europe. Well, is the production of neckties an American industry? Certainly, and the production of hats also. To be sure. And the production of wheat and cotton? [After some hesitation]. Well, yes. Why don't you protect them, then? Oh, we do. How? By a tariff. But a tariff can not enhance the price of exports, and so our friend, the speaker, is silenced, unless he gives evasive answers or twists the truth, which he sometimes does. Is the European workman of Germany or Austria a greater pauper than the peon, the coolie, the ryot, the fellah, or moujik? Please answer. If protection is needed against "pauper" labor, who should receive most protection?

Another objection offered is that of taking a large sum from the United States Treasury for the payment of these export bounties, especially so when that Treasury can hardly pay current expenses now. The answer to this is clear. In 1893 the customs receipts were $203,-

355,016.73. This was mainly protection money, and as agricultural staples pay for the protection of manufactures, it has therefore contributed almost all of this vast sum. Is not this industry entitled to a share of its own contributions? Yes, and much more besides; and not as a favor, but as a right.

As for a just revenue for Government expenses, have we not talent enough in the country to show us a way how it can be raised? Surely.

In concluding my remarks permit me to say that as far as justice and equity is concerned there is no reason whatever why staple agriculture should be burdened with the enormous costs for the protection to manufactures. If we have protection at all it should be for all American industries against the competition of the cheaper labor countries. It should not be for one industry in our country at the expense of another industry. How can a protectionist consistently object to an enhancement of agricultural staples by a bounty on exports and then demand a bounty in the form of higher prices on the product of every other kind of industry? Even now, certain manufactures, the raw material of which was imported, receives as a bounty 99 per cent of the duty when the same are exported.

It has been said that the workingman will object to any measure that will raise the price of food.

At first, yes, but a sober second thought will convince him that it would be neither just nor politic on his part to oppose this proposition. First, because when wheat was worth $1 a bushel he exchanged his day's labor of say $2 for 2 bushels of wheat. Protection and the labor union are still vehement in keeping to the two-dollar schedule, but shall he now demand for this same $2.00, 4 bushels of wheat? In England sucha policy would be in order, but in the United States it is industrial suicide. England sells her manufactures to the world; in the United States our market for manufactures is limited to our country almost exclusively, and it behooves the thoughtful workingman to have some compassion on his chief customer, the producer of agricultural staples, at least as long as we have protection. If this customer is injured by unjust legislation to an extent that drains his pockets, will not the purchasing power of the nation be materially reduced? And when the purchasing power is reduced will not the demand for skilled labor decline? Will not, then, wages also decline? Of course, this declining process must continue to proceed as long as the world's price declines, and as long as the commerce of the United States comes in contact with the world. In time things would even up in some way without the interference of this or any other proposition, but if the evening-up process goes on on its own hook, and the interference of a one-sided protection continues, we will find that when we have struck level that the independent landowning farmer will be gone and the Republic, too.

Some persist in advising a curtailment of the area under cultivation, in order to do away with the surplus, so that we could by a tariff have a high artificial price. These advisers forget that this would be like jumping from the frying pan into the fire. Nations do not pay in bullion, but in commodities. Heretofore we have paid for our imports in staple agricultural products. What shall we pay for them with when we have no surplus? Will it be in protected manufactures? There would be no objection to this if the foreign nations would accept them, but the trouble is that they refuse to do so.

Much is said of a home market, of factories near the farm. When this is carefully examined into it will be found that it is of no value to staple agricultural products. The factory employee can always buy at

the Liverpool price, less cost of transportation from the place of production to Liverpool, even though the factory join the ranch.

Tariff reduction or reform is spoken of as the happy medium. Experience has rather proven that for practical purposes it is more of an unhappy and costly political seesaw, than a happy medium. It has not been able to preserve that economic equilibrium essential for the maintenance of values to a degree of stability, and for the reason, perhaps, that the people do not permit such a policy to prevail for any length of time in power, and the sudden changes from one extreme to another, causes a much greater sacrifice on the part of the people than would the adoption of this export-bounty system. Besides, tariff reduction is no more equity than high protection, as long as it is one sided.

The true remedy for injustice and inequity is in justice and equity. As long therefore as we have protection and enhancement of prices for manufactures, we should place staple agriculture on the same level, and this can be done by a Government bounty on the exports of agricultural staples.

During the reading of the paper, the following proceedings occurred:

Mr. LUBIN. I have here a little red-covered book which is a compilation of the principal politico-economic editorials from the leading journals of the United States, as well as from those in Canada and Europe. I have revised them up to date, and the dates and the names of the journals are given. I have also statistical and other matters in addition, which I will file with the committee.

In reference to agricultural machinery, I will say that in 1884 I went to Europe and went through quite a number of the plants engaged in making agricultural machinery; again, in 1888, I visited Europe and had with me a small model of an agricultural machine which I had invented, and I took special pains to go through every implement factory in England, Germany, Austria, and France. I did not go to Belgium. I had a conversation with Mr. Sidel, director of the Eckert Actien Gesselschaft, being one of the large agricultural machine and implement manufacturers of Berlin, as to the industry of agricultural machinery in Germany. A portion of the conversation was reported in the papers. I asked him what they did with the machines, and whether they sold them to western and central Europe. He said they did not, as a rule, because the farms in these sections of Europe were too small; but that they sold them mostly to European and Asiatic Russia, North Africa, Asia Minor, Egypt, and the Danubian Provinces, and much of it went to South America.

In reference to the labor that I observed in Spain I will say that in Cordova it is much more primitive than in our own country, and more is done by hand in Spain. The main part of the spading is done by women. To a great extent, while the cultivation in Spain is in a primitive state, they persistently refuse to use modern agricultural implements. An agent for a Swedish plow company said they refused to buy his plows because they had two handles. They wanted a plow with only one handle. They are a peculiar people. But if you go right across the water, on the African side, between Oran and Algeria, probably some 250 miles in length, and close your eyes mentally, if you were not aware of being in that country you would suppose that you were in California, as the manner of detail in agricultural labor is very much like it is in California. It is quite different from what it is in Spain, just across the Mediterranean.

In reference to the conditions of manufactures and agriculture, I would say that we must have these two at an equilibrium. When they

were at an equilibrium, naturally, agriculture was prosperous in the United States, because agriculture and manufacture must balance eachother. It is not so in England, for the aim of England is commercial supremacy, and agriculture is not a factor; but in our country it is, because we find our market for manufacture in our own country almost exclusively, whereas England sells to the whole world. Consequently these two in our country must balance, and they did balance, notwithstanding agriculture paid almost the entire cost of protection, seemingly; but in reality it was not so, because protection to staple agriculture consisted in the use of agricultural machines. Formerly we were almost the exclusive users of these machines, and we had a world advantage; but now we have lost that advantage, because the cheap labor of foreign countries is now using these machines. Statistics show that last year we shipped over $1,000,000 worth of agricultural machinery to the Argentine Republic.

Our manufactures are chiefly sold to the agriculturalist in the United States. He is the chief customer, and when his purchasing power is reduced one-half, necessarily the purchasing power of the United States is reduced nearly one-half.

More than a million workers in the manufacturing centers have recently been in idleness, and that brings up the question of a standing army. We had an illustration of that. Before that condition arose, General Schofield said he was in favor of a small, well-disciplined army; but when agricultural products came down in price one-half of what they formerly were, and when labor, especially skilled labor, began to squirm a little, and riots occurred, General Schofield immediately said that he was in favor of a large, well-disciplined army.

I find it quite difficult to have workingmen, and even farmers, understand this question of the home market. If you plant a factory right by the side of a productive field it will not raise the price of the staple product of the agriculturist, because the price is regulated in Liverpool. What price do the protected factory hands pay for the wheat which is raised adjoining the factory? They pay absolutely the cost of the wheat in Liverpool, less the cost of transportation from place of production to Liverpool, although in this case it is not carried there at all. It is raised and consumed near the factory, and yet the price is regulated in Liverpool. The buyer for export or for home use buys at the same price on the exchange. You simply hold up your hand and bid so much. If you buy, you buy at the same price, whether for Liverpool or for home use.

Mr. WEDDERBURN. On exported products?

Mr. LUBIN. On all staple agricultural products, a portion of which is exported.

Only a portion of our agricultural products produced in this country are consumed here. We imported about $844,000,000 worth last year, and exported about $158,000,000 manufactures. How much of that was staple agriculture in a minor state of manufacture I am not able to tell at this moment, but perhaps considerable. But the bulk of our payments for our imports, over $600,000,000 was in agricultural staples.

These staples are sold home and abroad at the world's free-trade prices, less cost of transportation from place of production to Liverpool, whether the product was for home use or export. But in manufactures the price is fixed differently. Take a case of goods on which the duty is $50. Who pays this duty? Some say the foreign exporter, but this is not true. The consumer pays every cent of it, but not all consumers. It is paid by the great class whose products are sold

at the world's free-trade prices, and who pay the artificial prices which protection creates for all necessities. The $50 duty, which is the tax that this consumer pays, is not the end of the protective system, but the beginning. On this $50 must be added 15 per cent for the importer's profit, making it $57.50, and to this we must add the 20 per cent jobber's profit, making it $69, and we must add again the profit of the retailer, making a total of $86.25. This is the real duty, and not the $50.

I am not talking here from what I find in books, but I am talking as a practical importer of goods, and if you would bring my bill clerk he would understand every word I am saying, because he figures up the bills every day. My ideas are not taken from books alone, nor are they taken from the newspapers, but from every-day practical experience. The reason why I place such an emphasis on this is because, having appeared before the Republican State Central Committee of California, this very question came up, and it seemed that it was not generally known. The endeavor was made to show that the party on the other side, the European exporter, paid the duty.

Mr. FLYNN. You figure profit for the retailer and jobber?

Mr. LUBIN. Yes, sir.

Mr. FLYNN. If there was no tariff the consumer would not have to pay $86.

Mr. LUBIN. Yes, sir.

Mr. FLYNN. Would not the retailer get a profit if there was no tariff?

Mr. LUBIN. He would get a profit on the case of goods. But this is the duty of which I speak, and the case of goods is outside. The matter is perfectly clear, and any importer understands it. Here is a case of goods, here is the bill, and here is the custom-house bill for the duty. You are dealing with the custom-house now. There is $100 worth of goods, and here is the $50 duty, and you add 15, 20, and 25 per cent, to the duty as well as to the goods, and that nearly doubles the original cost of the duty on the goods which go through the custom-house.

Mr. FLYNN. Do I understand you to say that if a man has to import $100 worth of goods the duty is 15 per cent, the jobbers' profit is, say, 15 per cent?

Mr. LUBIN. The importer's profit is 15 per cent.

Mr. FLYNN. Very well; add that to the duty, and then you add the jobber's profit of 20 per cent?

Mr. LUBIN. Yes, sir.

Mr. FLYNN. And then the retailer's profit. Now, would not the retailer and the jobber receive just as much profit as if they were manufactured here?

Mr. LUBIN. Under protection, certainly.

Mr. FLYNN. This percentage is added on.

Mr. LUBIN. He would not receive it under free trade, but he would under protection. Here is $185 worth of goods. When you sell an article for $200 you make more than when you sell at $80. You may sell an article oftener at $80 and in that way make as much profit as when you sell it less often with a larger profit.

Mr. FLYNN. He would make a certain percentage which would be added to the duty, and also a certain percentage which would be added to the goods.

Mr. SIBLEY. I comprehend the point which the gentleman makes. He adds the retailer's profit and the wholesaler's profit to the duty and then to the cost of the goods, and on that he must pay these several percentages, which double the price of the goods when they are sold?

Mr. LUBIN. Yes, sir.

Mr. SIMPSON. In other words, the importer wants to make interest on the money invested in duties and the expenses paid to the importer. That is money invested the same as the money invested in the goods. He has to make a percentage on the money invested in both.

Mr. LUBIN. That is right.

Mr. FLYNN. You are figuring a pretty high rate of interest?

Mr. LUBIN. No; it is absolutely correct. The merchant's profits given are not too high, and must be added to the duty. There may be some merchants who do not do that, but I am doing it; and the percentages given are not too large.

Mr. FLYNN. What line of business are you engaged in?

Mr. LUBIN. I do mercantile business of about $1,000,000 a year; and in addition to that I run a farm of 1,292 acres, raising wheat.

Mr. FLYNN. I see your point, but you are figuring interest a little too high.

Mr. LUBIN. No; I think not. The profits on protection almost double the original duty.

If there is any decline by reason of the purchasing power it is first felt by skilled labor—the $7.50 shoe workman, and the $5 hat man, and the $2 glove man. All these high-priced workmen suffer first, and the unskilled or unorganized labor does not suffer quite as much as the higher priced ones. It begins on the upper stratum.

After finishing reading his paper Mr. Lubin said: Reducing this paper to a few syllogistic and self-evident propositions, I have prepared here, and I will, if you desire, read them.

The CHAIRMAN. I would suggest that as this is a résumé it might be inserted in the record, and it might be better not to take up the time reading it, as some members may desire to ask you some questions.

Mr. LUBIN. I would prefer that, because I have these printed.

The CHAIRMAN. You can leave that and have it published as a part of your remarks.

The paper is as follows:

[Addenda to report of David Lubin, of Sacramento, Cal.]

PROTECTION TO STAPLE AGRICULTURE BY AN EXPORT BOUNTY—STATEMENT OF THE PROPOSITION AND RECAPITULATION.

(1) Our imports and interest on foreign loans must be paid in bullion or commodities; and as no nation can make such payments in bullion, therefore the payments in our country must be made in commodities.

(2) A protective tariff on manufactures enhances their prices in the United States, and, therefore, renders their export impracticable, leaving only agricultural staples to constitute the great bulk of our exports.

(3) The highest price obtainable for our export agricultural products is no higher than the lowest price at which they can be bought in the world. These products are, therefore, sold for export at the world's free-trade prices.

(4) As the export and home prices for staple agricultural products are the same, it follows that these products are sold at home and abroad at the world's free-trade or Liverpool prices.

(5) Nor is this all. The cost of transportation from the place of production to Liverpool is first deducted from the Liverpool price, and this, whether the products be exported or sold for consumption at home, even within sight of the place of production. We have, as a conclusion, that, by reason of the protective tariff, manufactures are sold in our country at enhanced or artificial prices, while agricultural staples are sold for export and home use at the world's free trade Liverpool prices, less cost of transportation from place of production to Liverpool.

(6) As the importance of the staple agricultural industry exceeds that of manufactures, and as it is the only great industry in our country that must sell its products at the world's free-trade prices, and must, through the operation of the tariff, pay protection prices for necessities, and, as it is the only great industry to do this, it therefore follows that staple agriculture pays the cost of protection to manufactures.

(7) Protection to manufactures made a high-wage rate possible, this wage rate brought skill, and skill developed inventive genius, and inventive genius produced labor-saving agricultural machines. These machines in the hands of the American producer of agricultural staples amply repaid him for any cost for the protection of manufactures. With the powerful aid of labor-saving machinery he could, until recently, produce his crop so profitably as to enable him to compete successfully with the cheapest labor in the world. In other words, the agricultural labor-saving device gave the American producer as much protection as manufacture enjoyed from the protective tariff.

(8) It was destined, however, that the time should come when the American producer would lose his advantage. That time has come. It has been found profitable to place these labor-saving machines in the hands of the cheapest field labor in the world, and as a result the advantage enjoyed by the American producer is gone. The loss of the advantage has had a tendency to materially lessen the volume of the net return to the producers of staple agriculture, thereby removing the prop which has been the support of the protective system. Protection to manufacture must, therefore, be abandoned, or the source of the support of protection must itself be protected.

(9) The ruling prices for agricultural staples, a portion of which we export, having declined to about one-half the former rates, and as these prices promise to remain low permanently, therefore we will be no longer able to continue the profitable production of agricultural staples, unless the prices of necessities be lowered to the world's lowest free-trade rates, or the prices of agricultural staples be enhanced in our country the same as manufactures are enhanced; but not by a tariff alone, for a tariff can not enhance the home price of an export which is sold at the world's lowest price. It can, however, be done by a Government bounty on agricultural products exported from the United States to foreign seaports. This, when done, would enhance the price, not alone of the quantity exported, but in an equal degree the much greater quantity sold for home consumption.

(10) Duties on imports levied for protection protect home manufacture and production by enhancement of prices, but they can not protect fully one-half of our industries, namely, the staples of agriculture, because they are exports and not imports.

(11) The producers of the unprotected half, being consumers of protected home manufactures, and of duty-paid imports, pay all costs of the protective system.

(12) The true purpose of protection should be, not to levy on a portion of the American people only for the support of another portion, but to protect all American industries against the competistion of foreign countries.

(13) An industry producing a surplus for export can be protected by a Government bounty on exports of such surplus. This would enhance the price in our country of the quantity exported and also the greater quantity for home use.

(14) To protect an industry producing a surplus for export, there must be a fund to pay the cost of a bounty on the export, and in consideration of that which has been stated above, equity demands that the funds or a portion thereof collected as duties for the protection of the manufacturing half of our industries should be applied in the payment of bounties on the exports for the protection of the other half, namely, staple agriculture.

(15) A just government has no right in equity to create revenues for the benefit of some to the injury of others.

But the Government does create revenues by the protective tariff, which benefit some and injure others, and uses such revenues to meet its expenses. In this the Government is unjust.

(16) To correct this injustice Government should either cease to collect protective duties, or it should use the revenues or a portion thereof derived from protecting one-half of our country's industries to place the unprotected half upon an equality with the former, and thus effect a just balance between the two, thereby removing the antagonism between them now disturbing our political and economic system.

(17) The protective duty levied on imports and expended on staple agricultural exports will therefore protect both manufacture and staple agriculture.

(18) Now, since the Government must have revenue for support, all the people should be required to contribute by modes of just taxation to such support; but any revenues or a portion thereof derived from the protection of manufactures should be considered the same as a special fund, and be used for the protection of unprotected staples of agriculture by aiding their export.

RECAPITULATION.

First. American principles demand equality before the law, in life, liberty, and taxation.

Second. The prices of American manufactures are increased by the protective tariff in our country.

Third. The foundation industry, namely, staple agriculture, can not be benefited by a protective tariff alone, owing to the fact that these products are exports and therefore are sold in free competition in the open markets at the world's ruling prices, less the cost of transportation from place of production to Liverpool, whether consumed at home or exported; thus compelling American producers of these staples to buy in the dearest and sell in the cheapest markets of the world, thereby discriminating against the producers of staple agriculture.

Fourth. The introduction of labor-saving agricultural machinery in the hands of the cheapest labor of the world and on lands much cheaper and as fertile as ours has so lowered the cost of production as to reduce the world's price of these staples to about half their former rates, and which promise to remain so permanently; and

Fifth. Such a condition must tend to the elimination of the independent landowning farmer and his replacement by a dependent peasant tenantry system, which, unless prevented, will not only prove detrimental to agriculture and the kindred industries, but also to the perpetuity of American institutions.

Sixth. That just so long as manufactures are enhanced in value by protection, equity, justice, and expediency demand an equal measure of protection for staple agriculture by the enhancement of their prices in our country.

Seventh. That inasmuch as these products are exports and not imports, their prices can not be enhanced by a protective tariff alone, no matter how high, but an increase of their prices in our country can only be secured by the use of a limited portion of the tariff collected for protection to pay a premium on exported agricultural staples.

CORRESPONDENCE WITH THE TREASURER OF THE AMERICAN PROTECTIVE TARIFF LEAGUE, HAVING A DIRECT BEARING ON THIS QUESTION.

[The American Protective Tariff League, national headquarters, No. 135 West Twenty-third street.]

NEW YORK, *September 25, 1894.*

DEAR SIR: You are familiar with the work the Tariff League is doing. It is telling, but we need to emphasize and extend it. The results of the recent elections make it important that we should strike now while the public mind is receptive. You have not signed the pledge as a member, and we do not at this moment urge that upon you, unless you desire to do so. We do ask, at this juncture, that you make such contribution, large or small, as you think will satisfy your own judgment of your duty and ability.

Now is the time when our work will count the most. Will you help us?

Anticipating, with thanks, a prompt and favorable reply, we are,

Yours very truly,

CHESTER GRISWOLD, *Treasurer.*

Mr. D. LUBIN, *Sacramento, Cal.*

The following is a reply to the above:

SACRAMENTO, CAL., *October 12, 1894.*

DEAR SIR: Your esteemed favor of September 25 received, and would have had my earlier attention were it not that my time was occupied in preparing a statement of the proposition I advocate for presentation before the convention of the California State Grange, recently held in Stockton, this State. You say "You are familiar with the work the Tariff League is doing. It is telling, but we need to emphasize and extend it," and you ask me to contribute money toward furthering the interests of your work.

In reply, I wish to state that I have no objection to render your league financial assistance, provided the kind of protection you advocate is in the best interests of our country.

I am, however, of the opinion that the present protective system is in the interest of a portion of the people only, and at the expense of the producers of agricultural staples, and that these, too, should be protected, and in such a manner as to enhance the price of their products in our country so as to fully compensate them for the loss they now sustain by reason of the enhanced cost to them in the prices of protected necessities and labor.

There is here clearly a difference of opinion between us, and before I would deem myself justified in contributing to the funds of your league I wish to be satisfied that its work is really in the interest of our country.

As we seem to differ radically in our opinions, and as I am now under the impression that if your theory of protection is just, mine is unjust, and if my theory of protection is just, yours must be unjust; and as I would like to have this question decided by competent authority, and abide by their decision, I therefore tender you the following: Should the decision be in your favor I will contribute to the funds of your league the sum of $1,000, which sum has been deposited by me in the national bank of D. O. Mills & Co., this city, and is subject to the order of a committee to be nominated for the purpose of deciding the question.

I nominate as such committee the following gentlemen:
Prof. Richard T. Ely, of the Wisconsin University.
Hon. John Wanamaker, of Philadelphia.
Hon. A. P. Roache, master of the California State Grange.
Mr. Samuel Gompers, president American Federation of Labor, New York.
Senator Chandler, of New Hampshire.

Any hotel and traveling expenses necessary for the meetings of the committee will be paid by me in addition to the above amount.

Should the committee named by me not be satisfactory to you or your league, you are in that event at liberty to nominate two of the committee and I will nominate two, and the four nominated to nominate a fifth.

The amount set aside to be payable on the day of decision in your favor, and without appeal.

Yours, very truly, D. LUBIN.

The following is a reply to the above:

SACRAMENTO, CAL., *October 12, 1894.*

CHESTER GRISWOLD, Esq.,
Treasurer The American Protective Tariff League,
125 West Twenty-third street, New York.

NATIONAL BANK OF D. O. MILLS & CO.
Sacramento, Cal., October 12, 1894.

DEAR SIR: We have received from you a copy of your letter of this date addressed to Chester Griswold, esq., treasurer of the American Protective Tariff League, at No. 153 West Twenty-third street, New York, and we have also received from you the sum of $1,000 to be paid under the terms of said letter, provided that Mr. Griswold shall accept or reject your offer by December 1, 1894, and that a decision shall be rendered by March 1, 1895.

Yours, very truly,

FRANK MILLER, *President.*

D. LUBIN, Esq., *Sacramento, Cal.*

Shortly after forwarding the letter of October 12, a reply was received from Mr. Wilbur F. Wakeman, secretary of the league, stating that the offer would be submitted to the executive committee. The offer was not accepted.

Mr. ALEXANDER. I would like to ask Mr. Lubin whether he means to set aside any part of the tax, or whether he desires to make a law to pay a certain bounty. As I understand him, he claims that the amount which is levied for protection ought to go in part to the payment of a bounty on agricultural products.

Mr. LUBIN. The amount collected on protection, or a portion of it?

Mr. ALEXANDER. Do you hold that all tariff is a protection; that is, all duties on imports?

Mr. LUBIN. No; there may be some of the customs receipts which are not.

Mr. ALEXANDER. I mean all articles manufactured in this country.

Mr. LUBIN. Here is a dollar coming in on duties which is simply for revenue. Such would be the case on tea and coffee; and here is another dollar which is protective. This dollar is for protection, and which should be applied on the export of agricultural staples.

Mr. ALEXANDER. There is a discrimination?

Mr. LUBIN. Yes, sir.

Mr. ALEXANDER. How would you divide that money? What portion would you give to the Government, and what portion to the use of a bounty?

Mr. LUBIN. The revenue money needs no division. But the money received from protection all or a portion of it should go for a bounty.

Mr. ALEXANDER. Where would you get enough to support the Government if you do that?

Mr. SIBLEY. From an income tax.

Mr. LUBIN. The support of the Government! The claim is made in this article that the Government has no right in equity to support itself unjustly.

Mr. ALEXANDER. I understand that. There is where there is going to be a big fight. All the protectionists will claim that this money is needed for the support of the Government.

Mr. LUBIN. There could be a tax upon tea, coffee, etc., or on products not raised in this country.

Mr. ALEXANDER. You could not raise enough on tea or coffee or sugar to pay the expenses of the Government.

Mr. LUBIN. Not on those goods alone.

Mr. ALEXANDER. You could not raise enough of those you have mentioned?

Mr. LUBIN. We are supposed to have a number of able statesmen in this country whose business it is to devise a just mode of taxation.

Mr. ALEXANDER. That is a problem that must be taken into consideration. These men will claim that there is a deficit in the Treasury now, and that every dollar is needed.

Mr. LUBIN. I could not answer that, except by a figure of speech giving my idea of how that should be settled.

Mr. ALEXANDER. I want to get in my mind the plan by which you could meet the argument of the gentlemen who are going to fight it. I am not arguing about the justice of your proposition, because I suppose almost anybody would admit its justice, and it ought to be right. If you take the Ways and Means Committee—this thing here would go before that committee naturally, and they would say at once that we need money to support the Government, and that it will take every cent we now have, and that there is a deficit besides, with no money without increasing taxation.

Mr. LUBIN. In answer to that, allow me to illustrate: A certain employer has in his employ a man receiving $50 per month. The employee finds this compensation too small for his comfort, so he steals from his employer $50 a month.

He is arrested and tried. The employee's lawyer admits the theft, but asks the acquittal of the prisoner on the ground that the prisoner has used the stolen money to properly promote the highest interest of his (the prisoner's) family, by contributions to the church and by expenses attending the education of his children.

The lawyer further moves that the employer be compelled to reemploy this dishonest employee at $50 per month, and be further compelled to permit his employee to regularly steal from him the $50 a month, as before the arrest.

Mr. ALEXANDER. In the next Congress there will be about 150 majority of a different opinion.

Mr. LUBIN. On the question of revenue for expenses I do not believe that I would care to enter into that in particular. I suppose you might have an inheritance tax or an income tax. People want me to advocate two or three propositions but I want to confine myself to the matter in hand. They ask me to advocate all manner of questions, even prohibition. I do not care to lose by bringing in foreign issues.

Mr. MARSHALL. You have taken as a basis of your calculation one of the staple products, wheat, which you estimate at 600,000,000 bushels, about one-third of which is exported to the world's markets. You estimate that a bounty of 10 cents on exports would increase the price to the producer how much?

Mr. LUBIN. Sixty million dollars, I believe, is the estimate.

Mr. MARSHALL. Have you applied that estimate also to cotton and other farm products?

Mr. LUBIN. Yes, sir.

Mr. MARSHALL. But you say that on the basis of a tax of 10 per cent on exports the charge would be about $22,000,000, which would come out of the duties now collected from imports. I wanted to find out your estimate of the charge, or probable taxation, upon the revenues derived from imports in this country. You said that, if you deduct from the revenues now coming in on a basis of 10 cents per bushel, the tax would be $22,000,000 against the revenues of this country.

Mr. LUBIN It is difficult for me to make an exact estimate for all exports of agricultural staples.

Mr. SIBLEY. If I may interrupt the gentleman right there, I would say that the export bounty would be 10 per cent on a total of $800,000,000. That would take out $80,000,000 from the Treasury, to be paid out of the amount derived from protection on the articles which now come in.

Mr. MARSHALL. Assuming that we would continue on that ratio in future; but is there not danger that we might change that schedule?

Mr. SIBLEY. I wanted to state what the charge would be.

Mr. ALEXANDER. Mr. Lubin showed that it would keep up the price at home equal to the price of the world's market.

Mr. LUBIN. I believe I showed that before the United States could lower the world's price for agricultural products it would have to be a much greater factor than it is now, because the factor of the United States, as compared with the world, is not large. We can not increase or decrease the world's price, except as a factor.

Mr. SIMPSON. You have made it quite clear, and it has always been quite clear to me, that the consumer pays the duties on imports. I think that is pretty well understood. In view of the fact that the agricultural class is so situated and so disorganized that the duties are shifted from shoulder to shoulder, I think that at least that burden will rest upon the agricultural class.

Mr. LUBIN. At present it rests on the agricultural class, on the producers of agricultural staples.

Mr. SIMPSON. In view of the fact that under the present system the burdens are shifted, you admit that the importer charges up his profits on the case of goods, and that finally it comes to the consumer, who pays that shifted duty?

Mr. LUBIN. No; but the producers of staple agricultural products—that branch of agriculture pays.

Mr. SIMPSON. In view of this shifting of the burden, it must stop somewhere, and does it not, as a matter of fact, stop and rest upon the farmer? Will not that burden fall upon him at last?

Mr. LUBIN. No; not at all.

Mr. SIMPSON. It is like taxing yourself to make yourself rich.

Mr. LUBIN. It would not work that way; it would be impossible for it to do so.

Mr. SIMPSON. Please explain that, for that is very important to me.

Mr. LUBIN. A short time ago the working man produced a $2 hat. You as a producer came to me and traded that hat to me for 2 bushels of wheat; but to-day you want to trade it to me for 4 bushels of wheat. Is there not any difference in that?

Mr. SIMPSON. Particularly so, if I wanted to buy a hat.

Mr. LUBIN. You are producing the hat.

Mr. SIMPSON. I am the gainer by the number of bushels of wheat which I get for the hat.

Mr. LUBIN. It has apparently that effect upon you as a receiver of the wheat. My answer to that is this: The mode of distribution is one-sided. The farmer is at a disadvantage by the mode of distribution, and he will be so much better off as you shift the mode of distribution. This tax shifts it back to the other side and removes the burden from him.

Mr. SIMPSON. As a matter of fact here is a manufacturer who has now a surplus which he must send abroad. He is located in cities where they are capable of forming organizations for mutual protection to limit the amount of production. Here comes the laboring man with his labor organizations. He is concentrated in cities, and has organizations with which he protects himself in the amount of wages which he receives. The object of this system of bounties which you propose is to stimulate production. That is the object of the bounty upon sugar, to stimulate production, and increase the amount of sugar produced. If we offer this bounty it will have the object of inducing the people to raise wheat or other agricultural staple. Whenever it has the effect of increasing the supply that will be added to the world's supply, and it will have the inexorable effect of lowering the price and put the product in competition with.

Mr. LUBIN. What was your first question?

Mr. SIMPSON. My first qustion was that it would have the effect of enhancing the value of those products under the present system of distribution, and that this burden would be shifted to the shoulders of the farmers at last.

Mr. LUBIN. If the farmer waits until the laborer and the manufacturer rise up in their might and put him in a good, soft, comfortable position he will wait a long while. It will never be done; but if the farmers organize, so that they can protect their interests as well as others protect theirs, they will receive some measure of justice. Justice is not free; it has to be fought for. I wish it to be understood that I am referring to staple products of agriculture entirely. The difference between the two interests is that manufacturers and labor have prepared for themselves this artificial cushion, as it were, from which a blow rebounds.

This artificial device of theirs is elastic; but staple agricultural products run up against the world's price which is solid, and it is like striking a block of granite. But if we provide an export bounty, it places staple agricultural products on precisely the same fighting level with the manufacturers and labor. It gives him a show, and enables him to strike a cushion and not strike granite. It possibly may be the best thing for us all to strike granite absolutely, as in free trade; but I am not prepared to say whether it is either practicable or possible. That is another consideration; but as long as we have an artificial cushion, as is now provided for manufacturers and labor, then there is no reason why the producer of agricultural staples should not have an artificial cushion.

Mr. SIMPSON. Your proposition is to let all strike something easy.

Mr. LUBIN. Let all strike granite, or all strike a cushion.

Mr. SIMPSON. You would place the farmer and the others on the same footing?

Mr. LUBIN. Yes, sir. It would enable the farmer to give three bushels of wheat where he now gives four. It would equalize the mode of distribution.

Mr. SIMPSON. Would not the effect of a bounty thus induce more people to go into the raising of agricultural products until they

increased the supply so that the same conditions would come about which now exist?

Mr. LUBIN. No, sir; that would not be the case. For instance, formerly the price of wheat was $1.25, whereas it is 50 cents to-day. Now the difference is 75 cents per bushel, and if you were to go to work to-day and give a bounty of 75 cents a bushel, I presume people would go to raising wheat on the house tops. If you would give a bounty of 1 cent, 3 cents, 5 cents, or 10 cents a bushel at the present price it would not be inducement enough to stimulate the production. There have been gentlemen who have argued that we must curtail our production; but these gentlemen do not know how dangerous that thing is. As we begin to curtail, the other part of the world begins to advance production. They increase production as we curtail it, so that we would curtail ourselves out of the production of staple agriculture altogether.

The CHAIRMAN. Was there not a great factor at work throughout the commercial world in lowering the price of farm products during the period from 1884 to 1888, when the distribution of farm machinery began throughout the agricultural world, and had not wheat been falling gradually in price for ten years previous to this time—I mean not only wheat, but cotton and the other great exported agricultural products of the United States?

Mr. LUBIN. I presume you have reference to the depreciation of silver?

The CHAIRMAN. I have.

Mr. LUBIN. It would seem there are two parallel causes which have been operating in the lowering of values. Of course, the shrinkage in the volume of the circulating medium has the effect in lowering the price of labor and commodities, and the increase of the same has the effect of increasing the price of labor and commodities. By the demonetization of silver there was necessarily a shrinkage in the volume of the circulating medium; and therefore we conclude that this shrinkage causes some decline in the price of the agricultural staples. There may be a good deal of truth in that, but it does seem strange that while that law is thus interpreted by the principal political economists the shrinkage has not been general, but special. Other things have not declined in value to the same extent that wheat has declined. The answer is given that the poor producer of India did not know that silver had declined.

After all it is not the Indian in India nor the Italian peasant in the Argentine Republic that guides the price. The persons who guide the prices are the practical Liverpool buyers—sharp, shrewd men, who will only accept the world's price after they have bought. We can not see that there is any other law at work, but I do not know that it would be proper to ignore the law of silver, as there may be something in it. I am not prepared to say how much there is in that. If all values had been regular in their fall it might have been explained, but labor has been protected by an artificial system.

The CHAIRMAN. An artificial system?

Mr. LUBIN. It has been done by an artificial system, which has maintained prices artificially—the artificial price of the hat, the coat, or anything else for all hands round, except for the producer of agricultural staples.

Mr. SIBLEY. It is art against artifice?

Mr. LUBIN. That is it, exactly. I can not illustrate it better. There is provided this artificial cushion. They punch at a cushion, while the

producer of agricultural staples punches at a granite block. This is practical experience in commercial business. When things are high, they charge high. It does not hurt them. If they are down they charge low.

Mr. SIMPSON. The dealer sells on a percentage?

Mr. LUBIN. Certainly. It does not hurt him any. They do not lose any sleep whether goods are high or low.

The CHAIRMAN. I have studied this question very carefully, and I have listened to your statement with interest. There is no proposition to-day which can originate in the commercial world that looks to the betterment of the condition of the agriculturalist to which I would not give serious and earnest attention. My information, study, and experience in the last twenty years has taught me that it is proven by absolute statistics, not only in this country, but throughout the world, that the sure and steady decline of agricultural products has gone on from the period of 1873 and 1874; and the fact that the English rupee in the country of which you have spoken, and that the ounce of silver in the commercial world is the measure of the price of a bushel of wheat to-day, and has been for a decade of years, convinces me that the price of silver regulates the price of wheat. The commercial nations of the world have destroyed that metal as a money metal.

In New York to-day wheat is worth the same as an ounce of silver, just about—wheat, 50 cents; silver, 50 cents. I admit that your system, if adopted, would be simply another stimulant to a dying patient. His arteries have been cut; you would give him an ounce of brandy. I would stop the artery and stimulate him afterward. How can you make it effective unless you begin right? In my judgment, a stimulant given to a patient to-day in the way of a bounty can never benefit the farmer until we restore the money of the world to a proper purchasing value.

Mr. LUBIN. I would like to answer that, because that has been proposed time and time again. In the first place, if you are to place silver up to as high as 129, and restore the old price for wheat under its most prosperous condition as a matter of equity, you would still have the agricultural staples pay for protection under the present protective system in operation.

The CHAIRMAN. I admit the truth and the force of that statement, but that only relates to our own Government.

Mr. LUBIN. My proposition relates to our own people and to our own Government entirely. Even if the price of silver were put to 129, and wheat to the full measure of its former price, it would still be a measure of injustice, not that we originally intended any injustice, but because the conditions placed us in that position.

The countries of Europe are in a different position from ourselves. Austria is not a great exporting country of agricultural staples. Germany is scarcely an exporter of these products at all. The tariff can operate there to a charm, and it would operate here, if we had no surplus. It is fortunate that we have a surplus. While giving credit to silver, and assuming for argument's sake that it should be as you say so that we will be arguing on a line, we must still face this fact that a few years ago the Argentine Republic bought flour. But in the first three months of this year they exported 1,000,000 tons of wheat to Liverpool, and they have an area under cultivation which is increasing very rapidly. The system there is a peasant system, with a lot of Italians for farmers, and with more or less peon labor employed. There is a vast difference in their system and ours.

In reading this little red-covered book, there are four or five sections devoted to that subject explaining the system in that country. There is a difference between the disposition of the crop in Argentine and the United States which I will presently explain. A new and serious competition has sprung up in a night like Jonah's gourd, but it is different from Jonah's gourd in the fact that it does not perish with the sun, but has come to stay.

The modes of disposition of the staple agricultural crops in the United States and in the cheap-labor countries are radically different. Our farmers have the produce exchange to go to, and they have the banker, and have means of holding back and managing the matter to some extent, and thus controlling the price; but it is not so with the peasant in Argentine. He is crowded by his master, who will tell him to bring his product down to the ship and land it on board for so much. He has no power to store it, or to go to the banker for relief or accommodations, and many of those things which we have here in this country. He is in the power of the peasant tenantry system, and is substantially in the fix that the people were in in the feudal ages, when the baron controlled the production.

The price to-day is quoted in Liverpool, and the price of this Argentine product becomes our price, and we have got to accept it. If to-day the price of silver was 129, and the price of wheat under conditions in which they are to-day with agricultural machinery in the cheapest land and labor countries of the world, there is strong probability that wheat, notwithstanding, would be no higher, or would not be near as high as under the former conditions.

Mr. SIBLEY. The increase has been very great, we admit, but is it not a fact that, taking the world's tables, that even within the last year we produced less wheat than we did ten or twelve years ago? We produced a less number of bales of cotton, and yet we got a lower price for it. Is it not a fact that the people of the Argentine Republic are paid on a silver basis, and that the people have never changed their quotations? Two and a half rupees is the same price to-day as it was formerly for wheat. The English have been benefited by it, because they buy an ounce of silver at 60, and buy wheat in Liverpool.

I have appreciated these remarks, and I can say that I have got a much clearer impression, and a much more favorable conception of Mr. Lubin's plan than I ever had before. I do not know whether the country is ready for it or not; but I want to say for one man that I can not deny the truth and the justice of his proposition.

The CHAIRMAN. I think it is justice and equity.

Mr. SIBLEY (to Mr. LUBIN). But you must not leave out as a factor in this the intimate relation between the price of wheat and the ounce of silver and the pound of cotton.

If you take the index tables, with which I suppose you are familiar, they will show that silver alone, of all the moneys of the world, has maintained itself under all conditions at a parity. The ounce of silver buys as much iron to-day as it ever did. You can not mention a product of labor with which an ounce of silver has not maintained its parity. Gold has gone up, and everything else has gone down. So I say, with your ability to set this matter forth, and with the interest you have taken in the subject, I think you ought not to lose sight of this proposition. You can help your people by your plan to the extent of about 10 per cent. That would help the poor fellow who wants to pay the interest on his mortgage; but if you can go further than that, in some-

thing which is of more use, and which will confer more blessings, then I want you to go that much further.

Mr. LUBIN. This branches off on another subject. This has come up before. In meetings before the people it is our usual custom, after an address has been delivered, to call upon the audience to ask questions. In some cases, questions of an outside character being permitted, the debate has degenerated into a wrangle. As a Western man and a Californian, I think it is pretty near right to look at silver in the way that it deserves to be looked at; and I also find that in advocating propositions you must narrow down to one theme, and not take up five or six different ones. People have tried to shift me off on to a different line, and want me to advocate religion, prohibition, etc. We must confine ourselves to this one issue, and I will leave you gentlemen to take care of the other issues.

I want to state right here that the purpose of this proposition is to create a better price for staple agricultural products. I want the agriculturist to punch the same bag the laborer and manufacturer is punching. If that is not to be done, then let all three punch at the granite rock (the world's price) at the same time. That question must not be overlooked. Notwithstanding that the production, especially of wheat, has declined in the United States, as was mentioned by Mr. Sibley, that price has been fixed, to a great extent, by the greater increase in those cheap-labor countries, and they are now the principal factors. Silver itself can not make things right just now. Silver would be all right if you would take away the machines which have been placed in the hands of this cheap labor. Take that away, and that would put wheat back where it was.

The colored man who said the "sun do move" made the mistake of not stating that the world moves. The brown and yellow races of men are coming to the front, and they have learned to manipulate the agricultural machines. That must not be ignored.

The CHAIRMAN. This resolution which the committee is now considering is broad in its terms and wide in its scope, and the committee in passing upon it will, of course, not only take into consideration the one proposition presented by the gentleman from California [Mr. Lubin], but of course they will take into consideration anything that may be presented which, in the judgment of the majority of the committee, has tended to depress the value and price of agricultural products throughout the world.

My own conviction is, and has been for some time, and I arrived at it by a most earnest study of this question, more study than I have ever given in my life to any other economical question in the world, and that is, that while we have been trying as many kinds of expedients in finance and taxation and otherwise, that during that entire twenty years the price of farm products has surely and steadily fallen to a lower level. They would come up at times, but only to go still lower again. Nothing has stopped them in twenty years, nor do I believe anything will permanently stop them until that part of the money metal of the world destroyed in 1873–74 has been restored by proper action on the part of the commercial nations of the world.

The money conditions are far from what they ought to be. I believe the effect of that is more potential than all other causes combined, and that it has destroyed the value of agricultural products throughout the world. And in believing this, in taking up this or any other question relating to the values of agricultural products, I can not keep my mind off it, because I can not understand, when the world is producing a per

capita in 1893 less than it did in 1883, that there can be any reason for these lower prices, unless it be founded upon the lack of consumption, which comes from the scarcity of money.

Mr. LUBIN. I would like to ask the chairman a question in this connection. Have you heard that cotton spindles have been introduced in Osaka, Japan?

The CHAIRMAN. I have.

Mr. LUBIN. That question has been up before some committee here. Women are employed eleven hours a day in Osaka, at 8 cents per day, spinning cotton. They work eleven hours out of the twenty-four, with two shifts of work, running day and night, with electric light. Now, supposing the women in Osaka were to compete with those in Fall River, and in ten hours produce the same quantity of the product as the women of Fall River, who receive 60 cents to $1.00 a day; and supposing that in Osaka they had the single standard and we had the double standard, what would be the effect?

The CHAIRMAN. I will answer that. You speak of an extreme case, and I am speaking of the great commercial level of the commercial nations of the earth. The single standard, the settlement of all labor and of all prices in a single metal that is so small in volume that a room 22 feet square will hold all the gold on this earth available for coinage, shows to my mind that it absolutely prevents the expansion of prices and destroys the value of all values, except that of gold itself.

Mr. LUBIN. Assuming without further argument that silver may accomplish these things you are speaking of, do you not also attribute the decline of the cost to the greater production by the cheap-labor countries to be a factor in lowering prices? Supposing Osaka displaces Manchester and Fall River combined, will you not agree that the almost infinitely cheaper labor there causes the difference, or a greater difference than that between gold and silver?

The CHAIRMAN. It will have some effect, because standing between that cheap labor and the great consumption of the masses is the greed and avarice of the manufacturer and the middleman, who increase their products, as experience has shown, by lowering the product of the manufacturer; and it is not always the commodity which is manufactured at the lowest price that sells at the lowest price in the market. It depends upon the competition and the number of men to handle the commodity when it is put upon the market.

Mr. MARSHALL. Then you think that the great compensatory law is the remonetization of silver?

The CHAIRMAN. The depreciation of silver, being one of the two money metals of the world, in my judgment, is the most potential of all causes which have contributed to the depreciation in values of farm products of the world, and that no system of legislation by any Government will ever restore the former level of prices which does not include remonetization of silver.

Mr. SIBLEY. That does not bring you and Mr. Lubin apart. I see the utmost harmony in your views.

The CHAIRMAN. Mr. Leonard Rhone, master of the Pennsylvania State Grange, is present, and, unless Mr. Lubin has some more statements to make, we will give the remaining time to Mr. Rhone.

Mr. WEDDERBURN. It is now 1 o'clock, and perhaps he would prefer to be heard on Monday?

The CHAIRMAN. I wanted to adjourn this hearing because I was anxious that every member of this committee should be present, and I

have no doubt that they would be glad to be present. We do not expect to close this hearing up for a month.

Mr. WEDDERBURN. Mr. Rhone has come a long distance, and he represents the most important agricultural organization in the country. He says he is willing to wait until Monday, and I would rather that this should be done.

Mr. RHONE. I came over rather hurriedly. The State Grange adjourned yesterday at 2 o'clock, and knowing that Mr. Lubin was out here, I was instructed by the National Grange to appear before you at any time that Mr. Lubin came. I therefore felt it my duty to come to-day. I am not prepared at this moment to make any argument on this question. I heartily concur in what Mr. Lubin has said, but I think he has not fully covered the ground, for the reason that I do not think his argument applies to countries contiguous to our own, such as Canada or the South American States. I had occasion to investigate that. I found that wheat was put on board in Buenos Ayres at 40 cents a bushel. That wheat unquestionably would have found its way into Baltimore and New York, but it was kept out of our market by our tariff only to come in competition with us in foreign markets. I think Mr. Lubin's idea of an export bounty, properly guarded, might be valuable. I think Congress, however, would not make an unlimited appropriation.

I would prefer to have some other time to appear before the committee than the present. I do think the depreciation in the price of products has been from a combination of causes, and that it is the duty of Congress to carefully consider the agricultural interests, as well as the interests of the manufacturer, and ascertain the causes thereof. The downfall of agriculture in every country has proven the downfall of the country in all other kinds of business.

The CHAIRMAN. The committee will meet on Wednesday, and at that time we will decide as to further hearings.

I desire to express on the part of the members of the committee present, and I am sure it will be coincided in by those who are absent, our warm obligation to Mr. Lubin for his presence and the valuable and interesting statement which he has made and which will go on the files of the committee. We are also much obliged to Mr. Rhone for his presence.

Thereupon the committee adjourned until Wednesday, December 19, 1894, at 11 o'clock.

SECOND DAY'S HEARING.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Monday, December 17, 1894.

The Committee on Agriculture, having under consideration a certain resolution in reference to the depressed condition of agriculture, met at 10 a. m.

Members present: Messrs. Alexander, Williams, Shell, Sibley, Capehart, Hainer, Baker, and Marshall.

In the absence of the chairman, Mr. Alexander took the chair.

The CHAIRMAN. This is a called meeting of the committee to hear some gentlemen upon a resolution which has been laid before the committee, and is already in the record. The substance of the resolution

is to inquire into the causes of agricultural depression and the remedies that might be suggested for the amelioration of existing conditions. I take pleasure in introducing Mr. Rhone, master of the Pennsylvania State Grange.

STATEMENT OF MR. LEONARD RHONE, OF PENNSYLVANIA.

Mr. SIBLEY. I would like for Mr. Rhone to state whom he represents.

Mr. RHONE. I am master of the Pennsylvania State Grange, and a member of the executive committee of the National Grange. The resolution of your committee calls for inquiries into the remedy for the depressed condition of agriculture. I have a statement here which I will read.

Mr. Rhone read the following paper:

Mr. Chairman and gentlemen of the committee: The resolution before your committee calls for a remedy for the depressed condition of agriculture, and for the removal of the inequalities that exist in our country between the relative value of agricultural staples and manufactures as caused by legislation and the present policy of the Government.

Learning that such a resolution had been introduced, and that a hearing would be had before your committee, I came here under the direction of the National Grange to listen, and, if called upon, to take part in the discussion.

This question has been fully discussed by the National Grange, especially at its last convention at Springfield, Ill., and special attention was paid to a proposition presented by Mr. Lubin, of California, for a Government bounty on the exports of agricultural staples as a means of equalizing taxation, and the relative values between staple agriculture and manufactures. The matter, after an exhaustive discussion, was submitted to the State and subordinate granges, who were requested to study the proposition thoroughly. A resolution was also carried to bring this and the monetary question before a conference consisting of representative men from among the leading industries and interests in the United States. The leaders representing the great agricultural interest are to call this conference for two reasons:

First. They desire to move on the broad plane of conservative progression, and are willing and anxious to frame thought in the direction of that catholic spirit of equity which will give weight to their conclusions with the American people. For this reason it earnestly seeks the wise counsel of those in other occupations and interests.

The second reason for this conference is to show to our fellow-citizens representing the other important interests of our country, that the farmers of the nation have no concealed or obscured policy or aims. Our aims and aspirations, while in the interest of our industry, are in no wise against the interests of the other industries. On the contrary, we hope to substantiate, at this conference, that the Republic can not flourish unless the great industry which we represent is in a healthy condition. We hope further, at this great conference to replace any wrong, preconceived notion by that broader line of conclusion reached by the interchange of opinion which shall replace right for wrong, and promote the development of a policy best calculated to advance the highest economic interests of the nation, and the greatest prosperity of all our people.

To return to the subject under discussion, we may say that those who desire to discover the inequality under which the agricultural interests of our country suffers and labors will soon discover them.

I refer especially to that branch of agriculture producing a surplus for export, and which by reason of this surplus is sold at the world's price at home and abroad. It is maintained by political economists and by partisans that a duty on imports tends not only to largely advance the price of the imports, but of similar home productions. Experience demonstrates this to be true. But a duty on a product, a portion of which is exported, must fail in rendering any protection or advance of price because a duty can not do for an export what it can for an import.

The farmers being by far the largest exporters can not be benefited to the same extent as manufacturers and others, who sell in a protected home market. As a result, the burden of the protective system must largely fall upon the farmer. This is the inequality.

Not to be misunderstood, I wish to state again that this inequality is confined entirely to those agricultural staples, a portion of which are exports. It may occur to some that when the nonstaple agricultural products are eliminated from this discussion, leaving only the staples under consideration, even though an inequality be admitted that the inequality can not be very great, as this portion of the agricultural interest may seem unimportant when compared to all other industries.

Those who come to such conclusions are in error, especially so when we realize that our manufactures in the main serve for internal traffic, whereas our staple agricultural products not only serve our own needs, but in addition furnish the great bulk of the commodity which we employ in exchange with foreign countries in payment for our imports, and for payment of interest on foreign loans.

The following figures will serve to illustrate the magnitude and the great value of these products: showing not alone that this industry deserves in our country to rank equally with all other industries, but it is equally valuable in serving us with that commodity which chiefly serves for the purposes of exchange with foreign nations, without which we would be obliged to meet our obligations in bullion, and which would bring us down to the use of a depreciated currency or bankruptcy.

As to the importance of the staple agricultural products, we will take, for instance, the year 1893, we produced:

	Production.	Exports.	Retained for home use.
Corn.....bushels..	1,628,464,000	47,121,894	1,581,342,106
Wheat.....do....	515,949,000	119,912,635	324,036,365
Cotton.....pounds..	3,352,658,458	2,212,115,126	1,140,543,322

But let it be distinctly understood that the above by no means represents the entire volume of this industry, and is only given as a sample of the three principal items.

Mr. Luben has to my mind properly traced many of the causes of agricultural depression to the efforts of England, and the remedy which he proposes, namely, a bounty on agricultural exports, is not a new proposition to me or to the National Grange. About four years ago the National Grange had this matter under consideration and reported favorably upon the same.

In the report of the executive committee of the National Grange at its late session held at Springfield, Ill., in reviewing the depressed condition of agriculture, is the following:

In the opinion of your committee there are at least two ways open to a solution of the situation. The first is to diversify our crops and productions and as much as possible build up for them a home market in our manufacturing centers. The other is by the Government paying an export bounty.

But to maintain our supremacy as a nation we must keep up the volume of our exports in order to maintain our balance of trade in the commerce of the world. Therefore we should not curtail the volume of our staple agricultural exports, for if we do we shall be obliged to meet our obligations in gold, and that would depreciate our currency and even further aggravate the present economic situation of our country.

There is, therefore, left for our consideration the question of the export bounty on agricultural staples as a means for the removal of some of the inequalities existing between that industry and manufactures. I certainly believe that some of the inequality can be removed by the export bounty; but it would enhance the home price of agricultural staples. Would workingmen consent to this? They certainly ought to, if not for our interest, then for their own. For unless they do they will lose very much more by the lessened demand for labor, by reason of the reduced purchasing power which low prices of agricultural staples in our country bring about, than all that they may ever gain in reduced prices of these staples. The truth of this is clearly manifest by the conditions of the past few years.

There would be some consolation to those engaged in agricultural pursuits if there were any reasonable hope for the revival of former normal prices; but the new process of labor in the cheap labor countries of the world precludes that hope. It may be that we have still a small advantage in the greater skill of our workmen in the use of agricultural machinery, but this advantage must be insignificant when compared with the former advantage when we were the almost exclusive users of agricultural machinery. Who does not remember when harvesting was done with sickle and scythe? Compare these with the labor capacity of the mower and harvester in the hands of even unskilled labor, and it will give to you a vivid idea of the enormous difference in the results of modern labor production with machinery. Apply this progress in every department of farm operations by those who until recently were scarcely any world's factor in agricultural production, and who now compose the principal world's factor in production and prices, and you will realize that we are confronted by a condition that we must squarely face and meet.

Now, as to the funds necessary to carry out this system, I am in favor that the Government should first of all raise any revenue that it may require for its expenses in a just and equitable manner, and not at the expense or to the injury of any one industry, and if in addition it desires to enhance commodities or wages by a protective system, then that system should operate equitably by enhancing the prices of the products of our industry, as well as the products of manufactures. All this implies a protective system, and as long as such a system is in operation funds will be collected as duties on imports for protective purposes, and the expenditure of these funds or a portion of them on exports will balance any difference between manufacture and agriculture, and protect American industries against foreign countries and remedy the evils of the present system, which protects one American industry at the expense of another.

I do not deem it necessary to review the objections offered against this export bounty plan, for I believe that these have been fairly answered by the speaker preceding me.

In view of the claim made and of the urgent requirements of the country for that stable economic condition essential to the welfare of this nation, and in behalf of the establishment of that relation of

equity and equality between agriculture and all other interests, an equality which we are justly entitled to, I respectfully petition your honorable committee to frame a bill embodying the proposition of an export bounty on agricultural staples and present the same to Congress for its early consideration and action.

After concluding the paper he said: We do not pretend that the causes of agricultural depression are entirely incident to this proposition which is before us, but that it arises rather from a combination of causes. We therefore think that you must consider these causes separately, and apply the remedy just as a physician would apply a remedy for any special disease. So far as contigious countries are concerned—for instance, South America and Canada—protection may keep their staples out of our home market; but at the same time we must meet those products in competition in the foreign market, and this measure does not change the price, except in our own country.

In presenting this argument I only want to say that the farmers of this country are greatly interested in this question, as you doubtless are aware. The market for wheat has been swept away. The market for our horses has been superseded by the electric railway systems throughout the country, and we are threatened with other industries in this country being destroyed. It occurs to me that there is no other subject which should receive more serious consideration at the hands of Congress than the condition of our agricultural people. We are not here in the interest of partisan politics, but in the interest of our own economic condition. The condition which confronts us must be met. It will only be a matter of time when the soil of this country will be owned by a few landowners, as is at present the case in England, and our progressive, self-supporting people occupying farms must be reduced to a system of tenantry. I think this question is more important than any other which confronts the American Congress, and should receive careful consideration so that Congress can devise a plan which, to some extent at least, will revive the industry of American agriculture in this country.

I did not come prepared to argue this question. I was brought here hurriedly, pursuant to the request of the National Grange, and I am only sorry that I can not more ably present to you this question under consideration.

Mr. HAINER. What export bounty would you suggest, for instance, on corn or wheat?

Mr. RHONE. In replying to the gentleman, I would say that England at the present time appropriates from four to five million dollars a year to maintain her merchant marine, in order to give her supremacy in the markets of the world. What amount of bounty should be paid in the form of protection is a question which must be determined by Congress. I said that I would set aside a certain portion of the duties on imports to be used for governmental purposes, and out of the duties levied for protection alone I would set apart a certain portion to pay a bounty on exported agricultural staple products.

Mr. HAINER. These are details, but I wish to get your general idea, for instance, of how many cents per bushel on wheat.

Mr. RHONE. Undoubtedly it would have to be a fixed appropriation of a specified sum, amounting to a certain percentage of the duties on imports, to be taken, I suppose, from the import duties—at least as long as this policy by the Government is to be pursued.

Mr. WILLIAMS. Your idea is to restore the equality between the two classes of industries which has been disturbed by protective legislation?

Mr. RHONE. Possibly not entirely disturbed by protective legislation, but by the peculiar economic condition of the country.

Mr. WILLIAMS. I understand that in your memorial you say that as long as the policy of levying a duty on imports lasts, which you think is necessary in order to the enhancement of American wages, that there necessarily flows from it an inequality to the agricultural producer in favor of the manufacturer?

Mr. RHONE. Unquestionably.

Mr. WILLIAMS. In fixing the rate of export duty would you not be largely guided by that consideration, and would it not be wise and equitable to deduct as the rate of the bounty a certain proportion now collected on our imports to balance the rate of tariff protection which now exists?

Mr. RHONE. Unquestionably; to keep us on an equilibrium.

Mr. HAINER. Are we to understand that you argue that because we have protected the manufacturer, that that has necessarily operated to depress agriculture, and that the interests of agriculture would be advanced by free trade?

Mr. RHONE. I did not so assert.

Mr. HAINER. The gentleman from Mississippi did.

Mr. WILLIAMS. That is what the memorial stated; and that is the fact.

Mr. BAKER. Does the National Grange assert that the manufactures sold in foreign countries are advanced in price by protection?

Mr. RHONE. I did not so claim. Only a small percentage of our exports are manufactures. There are over $600,000,000 of agricultural products exported annually.

Mr. BAKER. You are asking for agriculture something not extended to manufactures are you not?

Mr RHONE. We are asking that the agricultural interests be put on an equal footing——

Mr. BAKER. I would like a direct answer on that point.

Mr. RHONE. I said in my memorial that an import duty unquestionably enhances the price when sold in the home market; but that does not apply to an export.

Mr. BAKER. You are asking for agriculture something which does not apply to manufactures in the home market?

Mr. RHONE. Not to the home manufactures in the home market.

Mr. BAKER. It does not apply to manufactures. I would like to know whether that is what you ask for?

Mr. RHONE. We are not here to discuss the manufacturing interests. They have been before Congress time and time again, and have advocates here to look after their claims. Now the farmers claim that a portion of the import duty which is now clearly collected for protective purposes, ought to be set aside in order to even up the situation of the farmer with that of the manufacturer.

Mr. WILLIAMS. To give it back into the pockets of the fellow who gave it.

Mr. BAKER. Are you not asking for something which has not been heretofore granted to the manufacturers? Please give me an answer on that.

The CHAIRMAN. The gentleman will answer, if you will give him time.

Mr. BAKER. I will allow him any length of time to answer that question.

Mr. RHONE. I want to say that we have no objection to paying an

export bounty on manufactures for export. We are not opposing that; but we are here in the interest of agriculture, and ask that it should be evened up, and inasmuch as agriculture can not be benefited by a tariff, we ask that a bounty be paid on exported products in order to place the farmer in the same position as the manufacturer.

Mr. BAKER. Will you answer my question?

Mr. RHONE. We are not opposing an export bounty.

Mr. BAKER. I ask you if you are not asking something which has not heretofore been extended to manufactures?

Mr. RHONE. No; I do not think it has been extended to manufactures.

Mr. HAINER. You want protection in a different form—in a form adapted to the changed conditions?

Mr. RHONE. Unquestionably.

Mr. HAINER. The same form of protection given to the manufacturer will not protect agriculture?

Mr. RHONE. Not in the same form.

Mr. BAKER. Protection applies only to the home market, and you gentlemen are asking protection in the foreign market, which is a different question.

Mr. RHONE. That is the policy pursued by Germany in reference to sugar in order to maintain her supremacy in the sugar market.

Mr. HAINER. Have you studied the effect of an export bounty on sugar in Saxony?

Mr. RHONE. I have not. I know that it has been the policy of Germany.

Mr. BAKER. Have you studied its effect thus far upon the bounty paid upon sugar in this country?

Mr. RHONE. I have not. I am not interested in that, except so far as Louisiana planters are concerned. I want to say that I thank you very much for the privilege of this hearing, and also that I come here as a business man and a farmer representing the farmers' interests.

Mr. ALEXANDER. I would like to ask Mr. Lubin in regard to what effect machinery has had upon the development of agriculture in North and South Africa and the Argentine Republic?

Mr. HATCH (in the chair). That is all in our record, and everything Mr. Lubin said will be published. If he desires to add anything further he can do so.

Mr. LUBIN. I think you will find that in Mr. Wedderburn's paper, which he desires to read,

The CHAIRMAN. Mr. Wedderburn will now be heard.

STATEMENT OF MR. ALEXANDER J. WEDDERBURN, MASTER OF THE VIRGINIA STATE GRANGE.

Mr. Chairman and gentlemen of the committee: In regard to the question asked by Mr. Baker, I think that he will probably find when I have concluded that I have answered his question

Mr. Wedderburn read the following paper:

Mr. Chairman and gentlemen of the committee: I appear before you as the representative of the State Grange of Virginia, and, through the Grange, of the great agricultural interest of the Old Dominion. I appear here as a patron of husbandry, and, as far as it is possible for a man to divest himself, I hope I shall be free from prejudice, sectionalism, and partisanry, and desire to appeal not to your political passions

but to the honest desire to promote the agriculture of our country which has been so noticeable in the work of this committee. I doubt not your wish to do something to save the grand industry which you have the honor to represent in the House of Representatives.

The American farmer is the greatest producer of our wealth, as he is also the greatest consumer of the products of manufacture, and is indirectly the employer of all American labor.

We are told that ours is a favored land; that we have great wealth and great prosperity.

Whether this is true or the reverse, there is no disputing that agriculture contributes more to the production of this wealth and of this prosperity, be it great or little, than all other classes combined. If this is so, and it is so, then it seems simple justice that this great industry should share in the country's prosperity. Whether other industries are willing to accede this or not, they are confronted with the inevitable—that prosperous agriculture means prosperity for all and depressed agriculture means general stagnation.

That agriculture is now depressed and that our staple products are sold at ruinously low prices in competition with the world's products, can not be and is not disputed.

If legislation has aided in bringing about this condition of depression, surely legislation should seek out the cause or causes and try to find the remedy.

If the farmers of America produce the greater portion of the nation's wealth, should it not be the part of the nation's legislators to carefully examine all causes that aid in the destruction of the source from which that wealth flows, and endeavor to find a remedy for the evil?

Having as many great and varied industries as we have in the United States, Congress is compelled to apportion these different interests to various committees, and it has fallen, gentlemen, to your committee to represent not only the largest but the oldest and best pursuit of man, and the one upon which all other men depend for support.

Recognizing the necessity for brevity and the greatness of the matter involved in this discussion, I shall condense my remarks as far as possible, and to this end will lay before you as part of my statement such figures as I have hurriedly gathered, and shall endeavor not to go over the grounds trod by the gentlemen who have preceded me.

During the first session of the Fifty-first Congress (1889–90), I, representing the Virginia State Grange, appealed to the Ways and Means Committee, then presided over by Hon. Wm. McKinley, to protect the American farmer substantially in the same manner as is advocated here by Mr. Lubin.

The paper presented was submitted to Dr. John Trimble, secretary of the National Grange, and one of its legislative committee, and he approved of and joined in signing that paper.

The national, State and subordinate granges from Maine to California, from the Lakes to the Gulf, have for years been studying and discussing these questions, and the results have been that the American farmer has without regard to party or section arrived at the conclusion that two things are necessary: (1) Equalization of taxation. (2) Protection for all or protection for none.

Upon this equitable, fair, and just basis I trust you, as the representatives of the farmers' interests, will be willing to consider favorably the plan presented by Mr. Lubin, of California, for relief.

The National Grange thoroughly discussed this whole matter and

sent it down to the State and subordinate granges for discussion and consideration.

After discussion three State granges have indorsed it, California, Illinois, and Virginia.

Only on Wednesday, at Harrisburg, was gathered over 800 delegates representing 50,000 farmers of the Keystone State, and as they listened to the arguments presented by Mr. Lubin they became enthused, and as he described the method by which a hat was made to increase in value from 2 to 4 bushels of wheat they rose to enthusiasm.

In the annual address of the worthy master of the National Grange, Hon. J. H. Brigham, of Ohio, at the recent session in Springfield, Ill., we find a strong plea for the interest of agriculture. I shall take the liberty of extracting from his address in support of the proposition I am advocating here to-day.

On page 7, the worthy master says:

> The low prices at which some of the staple crops must be sold, if sold at all, are causing farmers to economize in buying, which seriously affects trade.

In this paragraph Mr. Brigham not only supports the statements of Mr. Lubin, but states a self-evident fact, and unless the manufacturing and laboring classes recognize its truth before it is too late, the day is not far distant when the explosion of the home-market theory will be apparent to the most rabid protectionist. That trade is seriously affected by the inabilty of the farmer to purchase what he needs is so plain a proposition that no man of intelligence will dare dispute it.

Speaking of the tariff, page 8, Mr. Brigham says:

> If this business question can be settled on business principles, and cease to be a bone of contention between political parties, confidence will take the place of doubt, business will revive, prospects will brighten, and "hard times" will no longer "linger about the doors" of our homes.

If this question is ever to be settled "on business principles," as suggested by Mr. Brigham, the plan of equalization, as presented by Mr. Lubin, seems to me to be the only way in which a business settlement can be arrived at.

Again, Mr. Brigham says:

> We demand that there shall be no discrimination against the farmers' products. We see no reason why protection should be denied the farmer when ample protection is accorded to the manufacturers. The farmer will meet the competition which comes from the cheapest pasture and labor of the world, if the products of the factory, furnace, and mine are required to meet similar conditions.
>
> We demand that the law shall make no unjust discriminations against the farmers.

The farmers in the Grange have never, and I trust never will, be found asking Congress to discriminate unfairly in favor of agriculture. What we want, what we need, and what we demand is equal rights, equal protection, equal justice, and no discrimination against us. No man can truthfully say that he has ever heard a patron, who had authority to speak for the order, ask more than this, and he who would demand less for his class deserves not to speak for them.

Speaking of the depressed prices the worthy master continues:

> Theorizing and appealing to passions, ignorance, or prejudice, will not help conditions. But if the real facts and causes can be made plain to the average farmer, he may be able in the future to guard against serious loss.
>
> For a long series of years the farmers of the United States have produced more wheat than the American people would consume, and the surplus has sought the European market. The price received for this surplus in Liverpool has governed the price of all wheat sold in the United States. In that market the American wheat comes in direct competition with the wheat growers of every country in the world which exports wheat; and when the world's crop is large, those foreign producers

who have at hand an abundance of the very cheapest labor in the world, and have already introduced the best machinery, can eliminate all profit from the American product, and yet realize a fair profit on their investment in land and labor. Vast areas of fertile land are being annually added to the wheat fields of the world, and the improved machinery and transportation advantages now being introduced with vigor by our competitors abroad must increase competition among producers.

Here we have evidence of the highest agricultural authority substantiating the statements of Mr. Lubin, and I shall a little later give statistics to clinch the statement, if that were necessary.

Mr. Brigham continues on page 10:

IMPORTANT PROBLEM.

The problem is a grave one. It involves the manufacturer and laborer, as well as the farmer. In fact every class and condition of society in the United States is seriously interested.

Alas, Mr. Chairman and gentlemen, this question is a grave one, and one that deserves your most diligent consideration, for in truth and deed "every class and condition of society" are seriously interested and will be seriously affected by the result.

When you eliminate your land-owning, home-loving, prosperous and happy American farmer, then, sirs, you strike the death knell of American prosperity and American liberty, and every class and every industry will find in the ruin of agriculture their own destruction.

Mr. Brigham continues:

When you touch agriculture, every industry responds, because agriculture is the basis of all prosperity. The principal customer of the manufacturer is the farmer. His net returns from the farm determines his purchasing power. If the price of his crops is reduced one-half, his purchasing power is diminished to the same extent. Then the manufacturer must curtail production more than one-half by reducing the number of employees or by cutting wages. This reduces the purchasing power of the employee, and thus reacts upon manufacturer, merchant and farmer. The industries of the United States will stand or fall together! Cheap wheat, cheap wool, and cheap cotton means more than cheap bread and cheap clothing; it means less work and lower wages. These staples have been reduced in price one half, or more, with the inevitable result. The all-important question is, will these low prices prove to be temporary or permanent?

Yes, cheap wheat, cheap wool, and cheap cotton mean less work and lower wages; and less work and lower wages mean the destruction of the factory and the ruin of the homes of American skilled labor, which, in turn, will injure agriculture.

It is true, Mr. Chairman, that staples have been reduced in price one-half. But has the price of the necessities of the farmer been proportionately reduced; and if not reduced to the same level, what must be the end? Take either end of the dilemma—consumption destroyed, production must cease to the same extent. This is an important question, and one that this committee should handle fearlessly.

Again Colonel Brigham substantiates Mr. Lubin when he says:

FOREIGN COMPETITION.

Heretofore the American producer has enjoyed the almost exclusive use of improved machinery. As has been stated, agricultural machinery is now used by the cheapest labor countries of the world. There was, in 1893, exported from the United States to Argentine agricultural machinery to the value of $1,620,450, and Great Britain sent to the same country the same year as follows: Implements, $235,436; agricultural steam engines, $1,174,028; agricultural engines, not steam, $791,620; making a total of $3,821,174.

England, Germany, Austria, France, and Belgium each contain large plants for the manufacture of modern agricultural implements and machinery, and these find a market in North Africa, Asia Minor, Hungary, the Danubian Provinces, Russia, India, Egypt, Australia, and South America. The Rural Press, of San Francisco, in

its issue of October 13, 1894, states that negotiations are now pending between the principal California manufacturers of combined harvesters and the Government authorities of Argentine for the removal of the California plant to that country.

Agricultural machinery in the hands of the cheapest field labor in the world, and on lands as fertile as ours, and much cheaper besides, has created a new and adverse economic condition in our country, that nothing short of the greatest wisdom on the part of the American people can overcome.

SHALL WE CURTAIL PRODUCTION?

We are sometimes advised to curtail or abandon the production of staples which can be produced elsewhere at less cost, but what shall take the place of these staples?

IMPORTS AND EXPORTS.

In 1893 we imported $844,454,583 of the products of foreign labor. They were paid for principally with the products of the farm. If we curtail, what shall we send abroad in payment for what we buy, and pay interest on our foreign debt? Will Europe take our manufactured products in lieu of wheat and cotton? Europe sells manufactures and buys bread and raw material. We must continue to sell what Europe wants to buy, or stop buying of Europe.

SHALL AGRICULTURE BE PROTECTED?

They will pay us no more than the price paid the Ryots of India, which price governs prices here under present conditions. What is to be done? The people appear to have decided to protect American labor engaged in manufacturing. Is there any help for the producer of wheat, wool, cotton, etc.? Will public officials, ministers, lawyers, doctors, teachers, and wageworkers accept half the pay now received? Will manufacturers, merchants, and railway managers accept half the profits heretofore enjoyed, or join with us in devising some other and better way of equalizing conditions?

It is useless to comment upon the strong statement of Colonel Brigham; he has presented the case as concisely and as strongly as language can put it. He depicts the number and character of our competitors. He shows the extent to which machinery, the result of American genius, has been made to act as the cause of reducing the price of American products. He states clearly the fact that we buy over $844,000,000 of the world's products, which must be paid for, but we have besides to pay for many millions of interests on bonded indebtedness, which will greatly augment this sum.

We cannot pay this in gold and silver coin or in bullion, because, with all our wealth, we have not got so great a sum. If we had the world's supply, as shown by Mr. Lubin, we could not pay our debts more than a few years, and then—afterwards the deluge.

Agricultural staples under protection will furnish the bulk of the means by which we can meet our obligations to the world for the products we purchase from it, and to attempt to delude ourselves as to the danger of the loss of this trade is not only ridiculous but it is criminal.

This part of the report of the worthy master of the National Grange was referred to the committee on agriculture whose chairman was that distinguished and able son of Indiana, Hon. Aaron Jones, master of the State Grange. His committee, by a unanimous vote, indorsed the report and say:

"Your committee have carefully considered the same and we recommend that portion of the address" (the portion above quoted) "as being true in fact and sound in principle, and it contains much food for thought, not only to American farmers, but to all engaged in industrial enterprises. The situation is a grave one. In a country like ours no great industrial interest can be ignored or destroyed without seriously injuring every interest of our country. The manufacturing, laboring, business, or professional men have a common interest with us in promoting the prosperity of the agricultural classes of the country. The wisest statesmanship should be at once applied to support the efforts of farmers in devising ways and means of securing more profitable returns from the vast investments in agriculture, on which the future growth, prosperity, and glory of our country depend.

Mr. Jones and his committee have thus clearly and forcibly stated the situation and deserve the thanks not only of the Grange, but of the country. If I mistake not the report was unanimously adopted. It was certainly adopted without division by the National Grange.

Now, Mr. Chairman, the executive committee of the National Grange is a body of very intelligent gentlemen, they are conservatives and are true to the cause of agriculture, and they represent the various political parties of the country, but, like true men should be, they are more devoted to agriculture than to politics.

This committee is composed of Hon. Leonard Rhone, of Pennsylvania, chairman; Hon. J. J. Woodman, of Michigan, secretary; Hon. R. R. Hutchison, of Virginia, and Worthy Master J. H. Brigham, of Ohio. According to grange law this committee submits an annual report. The report this year was unanimous and signed by all of the gentlemen named above. I extract from it as follows:

> Owing to the depressed condition of agriculture your committee deems it its duty to call to the attention of the National Grange the gravity of the situation and urge upon it the importance of giving the adverse condition of agriculture its most serious and earnest consideration.
>
> As to the low prices of wheat and cotton and their cost of production, it is not probable that there will be much improvement for years to come, as with the application of new machinery our foreign competitors on the Eastern Continent—Russia, India, Egypt—and on this continent—the South American States—will soon double their productions at a much less cost, with their cheap labor, than we can produce them. In the opinion of your committee there are at least two ways open to a solution of the situation. The first is to diversify our crops and productions, and, as much as possible, build up for them a home market in our manufacturing centers. The other is by the Government paying an export bounty equal to the cost of transporting, so as to put our wheat and cotton on the foreign markets on equal footing with that of contiguous countries.

That the situation is serious, Mr. Chairman, no one doubts; but these conservative land-owning tillers of the soil direct attention to it—these Republican and Democratic farmers, died-in-the-wool, old-fashioned, conservative farmers, say that the situation is serious. Under such circumstances what do you expect the other farmers to say about the matter which concerns their every interest?

Now, this committee is composed of men who have been honored by the Grange—the great conservative agricultural organization, the one organization of farmers that lead the fight for agricultural relief and which has stood by that principle for twenty-eight years; eschewing politics and side issues, it has stood firm to one and only one idea—the advancement and uplifting of the tillers of the soil. When this great order, through its chosen leaders, says that the condition is serious we must conclude that it is time to repair the wrong and prevent disaster.

These gentlemen present two remedies for the disease: (1) Diversified agriculture; (2) A bounty upon exports.

As to the first, if we were to diversify our products under present conditions, until we reached the acme of the home-market idea, what would be the result?

The price of agricultural staples, without a surplus, would rise and the price of our other agricultural products would correspondingly decline; but the question to be considered is, how would we meet our liabilities for indebtedness for our exports and interest on the many millions of national, State, county, and corporate bonds held by foreign countries? Can we sell our foreign creditors our protected manufactures? Not very readily.

Without further comment I might add that this portion of the subject has been very satisfactorily answered by Worthy Master Brigham of the National Grange.

The impracticability of selling all our products in our home markets, under present conditions, must be apparent and we are compelled to resort to the second plan. We find that the surest relief that can be afforded the farmers, as long as protection to manufacture exists, is to take the money, or a portion of it, collected for protection and use it to pay a premium on agricultural exports, thus protecting both manufacture and agriculture equitably. This report was also indorsed by Mr. Jones's Committee and that indorsement approved by the National Grange.

I stated above that I would clinch the statement of Colonel Brigham by figures, and I propose to do so by giving an extract from the report of the statistican of the Agricultural Department for November, 1894. On pages 683 and 684 it will be seen that this report bears out Mr. Lubin in his statements as to the rapid increase of production caused by the introduction of labor-saving agricultural machinery into Argentine:

ARGENTINE REPUBLIC.

Consul Baker, of Buenos Ayres, under date August 28, states that it is quite impossible to gather reliable statistics as to the probable extension of the wheat area in the Argentine Republic during the next two years. As heretofore mentioned, there is no official agricultural bureau or statistical office whose duty it is to collect information on growing crops and their harvest.

"Every one interested makes his own estimates, and they are generally so wide asunder that their mere statement shows them to be only guesswork. Generally speaking, all we can know in regard to a wheat crop is after the harvest is over and the wheat has been shipped. At the end of each year the custom-house returns show how much has been exported. To these figures is then added what is supposed to have been the home consumption for the year, and thus is obtained the total of the harvest. As to the areas in wheat or the yields per acre there is no official knowledge on the subject. Taking mere estimates, however, I have to say that Señor Latzina, of the bureau of custom-house statistics, gives the following as the area in wheat for the years named:

Year.	Hectares.	Acres.
1883	243,500	601,689
1892	1,322,000	3,266,662
1893	1,983,000	4,899,993

"What the wheat area is for the present year can only be estimated; and there is a wide difference in the views of those who are figuring on the crop. Mr. Mulhall, of the Buenos Ayres Standard, gives it as his opinion that the area is upward of 50 per cent more than in 1893; that is, 2,974,000 hectares, or, say, 7,348,754 acres. On the other hand, a well-informed gentleman, who has for years given this subject his attention, assures me, after having traveled through the provinces of Buenos Ayres and Santa Fe, that the wheat area for the present year is only about 10 per cent more than it was in 1893; or, in other words, that it is 2,181,300 hectares, or say 5,389,992 acres. And he explains that, owing to the unprecedentedly low price of wheat during the last year, many farmers have put their land down in flax as a more promising crop. What the yield of wheat will be is also mere conjecture. The fields at the present time are looking well; but between now and harvest the country may be overrun with a plague of devastating locusts, or wet weather may set in and spoil the head.

"As a matter of comparison I bring down the table of wheat and flour exports from the Argentine Republic so as to include 1893 and the first half of 1894, as follows:

Year.	Wheat.	Flour.
	*Metric tons.**	*Metric tons.*
1882	1,700	.....
1883	61,000	.....
1884	108,499	3,734
1885	78,493	7,447
1886	37,864	5,262
1887	257,865	5,442
1888	178,928	6,392
1889	22,806	3,360
1890	327,894	12,117
1891	395,555	7,015
1892	490,109	18,849
1893	1,000,137	37,521
1894 (6 months)	1,029,546	20,628

* One metric ton is equivalent to 2,204.6 pound.

"The returns of wheat shipments for the first six months of the present year, it will be seen, are greater than the entire shipments of any preceding year. How much wheat still remains in the country of the last crop it is not possible to say; but it is now the close of August and the shipments continue to be large and continuous, a large number of vessels still being under charter for wheat cargoes."

On page 100 of the March reports of the same Department we find that the exports from other countries for the years named were as follows:

AUSTRALASIA.

	Bushels.
1891	32,839,000
1892	35,963,000
1893	41,161,000

RUSSIA.

1883 to 1890, average	83,170,011
1891	168,846,000
1892	241,579,000
1893	321,497,000

In addition Russia ships large quantities of rye, about four times as much as wheat, and what is more surprising, we find her raising and exporting our own native plant—Indian corn (maize)—to the extent of 861,000 quarters of 480 pounds each, equal to 6,888,000 bushels, in 1893.

The Department of Agriculture statistical report for March, 1894, on page 144, says:

The conclusion of the commercial treaty between Russia and Germany, by which the latter country reduces by one-half the duties on cereals, will reopen the German market to Russian rye, and the probable result will be a falling off of German importations of American wheat.

We find on page 13 of report 5 of the same Department the further statement that the net imports and exports of wheat of the principal countries of the world for 1890 were:

	Bushels.
Net exports	248,704,109
Net imports	240,942,325
Excess of wheat seeking a market in 1890	7,861,584

TOBACCO.

From the same report we find that each year is adding to the competitors for our tobacco trade, and we are faced with tobacco selling at from 3 to 6 cents a pound, or less than it costs.

COTTON.

In 1890 the United States (by the same report) produced 55 per cent of the world's crop, but this percentage is steadily decreasing, although our crop increases each year, but not in the same proportion as that of other nations. Our planter must meet the problem of how to raise cotton which costs him 5½ cents and sell it for 5 cents, and this in the face of continued and increasing competition with Turkestan and Egyptian lands and labor and this growing industry in Argentine.

COMPETITION WITH AGRICULTURAL MACHINERY.

An increased acreage and yield on fertile lands, worked by the cheapest labor in the world, compels the American farmer to demand protection and insist that he no longer be discriminated against. But land and labor are not the only competitors that we have, for we find that the peon, moujik, fellah, ryot, and coolie have had placed in their hands the most improved agricultural machinery, invented principally by the Americans and largely manufactured in this country and exported (see report of Colonel Brigham, quoted in the first part of this statement, headed Foreign Competition). For the benefit of those who believe in protection and not in bounties, I desire to say just here that the tariff, which protects, is a bounty and nothing else, but the men who make agricultural machinery and export it are given a *special bounty* by being permitted to import their raw material, and when their products are exported to receive back from the Treasury 99 per cent of the tariff paid in by them. Speaking on this subject the Chicago Times, November 13, says:

CERTAIN TARIFF INEQUALITIES.

Complaint is made of the low price of wheat, as of all breadstuffs. The American farmer is the victim of this diminished value of his product because it is asserted he is not sufficiently protected by existing tariff laws.

The American wheat producer competes with the wheat grower of South America, of India, and of Russia. He competes, too, with the producers of breadstuffs wherever raised. The protection laws as they exist under the Wilson enactment, and as they have existed during the whole era of protection, spoke the word of promise to the ear of the American agriculturist and broke it to the hope.

What is the specification? Labor-saving farm machinery originated in the United States. That machinery is sold in India, Russia, and South America. It is put down at the barnyards of foreign wheat growers, notwithstanding their distance from the place of manufacture, at a price much lower than the American farmer is compelled to pay to the manufacturer, though he is immediately in the neighborhood of the factory.

Protection has enabled the maker of agricultural instruments to levy a toll upon the American farmer far greater than he demands from the South American, the Indian, or the Russian agriculturist, whose product comes in the markets of the world in direct competition with the farm product of America.

And that disadvantage to the American farmer is to be still further emphasized. Upon the plea of benefit to American manufacturers and laborers the drawback system has been authorized. He who imports a manufactured material into this country, and, changing its form or its use, exports it, is entitled to a drawback of the entire amount of duty paid, less 1 per cent. The agricultural implement makers of the United States have discovered that by purchasing steel in England they can employ it in their implements at their manufactories in America and send these implements to their customers the world over outside of the United States and get the benefit of the drawback, thus helping them still further to accommodate the customer abroad while compelling the customer in America to pay an enhanced price.

On page 106 of the Statistical Report of the Agricultural Department for March, 1894, we find that the cost of producing an acre of

wheat is estimated at $5.53 and of an acre of corn at $3.50 more than its market value. Such statistics only strengthen our position and prove the necessity for remedial legislation in the interest of agriculture.

In conclusion I quote as follows from the same report:

> During the pinching times of the past fall and winter many a crust and many a fragment of stale bread which ordinarily would have found its way to the swill barrel has undoubtedly been used to satisfy human hunger or to ward it off. This has been the case not merely in occasional instances, but in millions of families; for besides the cases of pinching want arising from actual loss of employment there has been a still larger number in which employment has been only partial, or in which wages have been materially reduced. Even among many of those in comfortable circumstances there has been increased care in the saving of food for the benefit of the needy, on whose behalf the appeals for help have been so frequent and so urgent. If the cheapness of wheat during the period in question may seem to have been favorable to a continued use of an unstinted supply of bread, it must be observed, on the other hand, that the price of baker's bread has not generally fallen, and that the large proportion of our urban populations who depend on such bread have not received the normal benefit due them as a result of the low price of wheat.

If this is correct it simply shows the workingman that cheap wheat is not to him a blessing, because he is not directly benefited by the reduction, and he should also recognize that to lower the price of the product destroys his customer and ruins his trade.

> "Princes and lords may flourish or may fade,
> A breath can make them as a breath hath made;
> But a bold peasantry, their country's pride,
> When once destroyed can never be supplied."

At the conclusion of the paper Mr. Wedderburn said to Mr. Baker: "I think the drawback system answers your question. You wanted to know whether manufacturers are protected in like manner as we propose for the farmer. All iron and steel manufactures exported, and which sell in competition with the foreigner, get a drawback of 99 per cent of the amount of duty paid into the Treasury when they are imported."

Mr. BAKER. Admitting that portion of your argument for the time being, would you not be satisfied to have a clause by which you could import any article, like fertilizers?

Mr. WEDDERBURN. We have free fertilizers now.

Mr. BAKER. In what respect, under existing law, do not the manufacturers and the agriculturists stand upon an equal footing, so far as the home and foreign markets are concerned?

Mr. WEDDERBURN. We (the farmers) simply have to pay the profit on the cost of protection, as well as the duty.

Mr. BAKER. You are going into theory on a subject which does not come before this committee. Has not the agriculturist, under the present law, the same rights as the manufacturer?

Mr. WEDDERBURN. No, sir.

Mr. BAKER. I agree with what the gentleman has said in regard to the importance of agriculture and its depressed condition, and I want to reach, as he does, some proper and legitimate way in which the agriculturist can be benefited. Under the existing law what suggestion is there that the agriculturist has not had equal rights and privileges with the manufacturer?

Mr. WEDDERBURN. Under any law that gives the manufacturer even incidental protection for an import the agriculturist must pay not only that protection, but the profits upon it.

Mr. BAKER. I am not going into theory on that subject. What I want

to know is this: In what particular has the manufacturer an advantage over the farmer in relation to the export markets of the world?

Mr. WEDDERBURN. The manufacturer simply keeps out his competitor, and the farmer has to meet that competitor by going to Liverpool.

Mr. BAKER. I suppose the agriculturalists of this country are so protected that foreign agricultural productions are not permitted to come into this country. Is not that the case?

Mr. WEDDERBURN. He can not fix the price of his products.

Mr. BAKER. The manufacturers' prices are fixed abroad?

Mr. WEDDERBURN. To get over this wall (protection) he is protected. The farmer has no such advantage.

Mr. BAKER. That applies only to the home market of the United States and not to the export trade.

Mr. WEDDERBURN. The manufacturer and the farmer have the home market.

Mr. BAKER. They stand on an equality as to the home market.

Mr. WEDDERBURN. No, sir; because the price of the manufactured product is fixed not only by the price of his competitor, but by the price abroad, plus freight, plus duty, and plus profit on duty and freight, while the farmer's price is fixed in the world's market.

Mr. BAKER. I am not talking about what any man has to pay for manufactures or agriculture. With equal tariff laws the agriculturalist and the manufacturer will be equally protected.

Mr. WEDDERBURN. Equal tariff laws? That is what we are trying to get.

Mr. BAKER. You are advocating a bounty?

Mr. WEDDERBURN. You give the manufacturer protection or bounty against the man on the other side. We do not care how high you build that wall, but we want you to build it so that it will also protect us at the same time and to the same extent.

Mr. BAKER. Your proposition is to work two ways?

Mr. WEDDERBURN. That is the only way it can be done. You have one way and I have one way. Your way will help the manufacturer, and I want to help the farmer.

Mr. BAKER. In the report which you and other members of your executive committee made to the Committee on Ways and Means, you said, when you appeared before the Wilson committee, that the farmers did receive protection under the McKinley bill. That report was signed by Mr. Brigham, Mr. Rhone, and Mr. Trimble.

Mr. WEDDERBURN. That was in regard to the articles that are non-staples, such goods as beets and turnips. Along the border in Canada or in Mexico a tariff might protect us against the Mexican hen, or the French Canadian hen; but it has no effect in protecting our staple products which are exported and which comprise over $600,000,000 worth of American exports, the price of which is fixed by the level of competition with the world's markets.

Mr. BAKER. Does not the whole question turn on the one point that the manufactured product has not equaled the country's consumption and the agricultural products exceed the country's consumption?

Mr. WEDDERBURN. To say that our manufactures are not equaling our consumption is not a fair proposition, because if the farmers were prosperous they would consume a good deal more. But we do export manufactured products to the amount of near $200,000,000. The farmers do not eat many manufactured products.

Mr. BAKER. The manufacturers eat agricultural products, and only by increasing manufactures can you increase that consumption. Sup

pose manufacturers produced $500,000,000 worth for export. Would you favor the bounty being put so high that they could compete abroad?

Mr. WEDDERBURN. They can not sell abroad on account of the protection machinery.

Mr. BAKER. You do not claim that machinery increases cost?

Mr. WEDDERBURN. I am talking about the tariff machinery.

Mr. BAKER. Does that enable him to increase the price of anything in production except the price of labor?

Mr. WEDDERBURN. Anything except the price of labor. That comes mighty near to politics.

Mr. BAKER. So does your whole scheme.

Mr. WEDDERBURN. That may be. I do not object to politics, but only to partisanship.

Mr. BAKER. I do not think you gentlemen fairly present your case before this committee.

Mr. WEDDERBURN. We do most undoubtedly try to so present it.

Mr. BAKER. If your order is moving on that line, in my opinion it is moving incorrectly.

Mr. WEDDERBURN. This organization represents the agricultural interests in this great country, and it has come to the front to demand equal protection, and any man who does not demand that does not deserve to represent the agricultural interest.

Mr. BAKER. My point was that it is not demanding equal rights, but is demanding extraneous rights which have not heretofore been granted to any industry in this country.

Mr. WEDDERBURN. I want to close, so as to give way to Mr. Lubin for a few minutes.

Mr. HAINER. Your entire argument thus far has proceeded upon the theory that under the operation of tariff laws prices have been raised. Let me ask you to cite a single case where tariff has been imposed upon an article produced in this country in quantity sufficient to supply our home demand where the price has not gone down under the operation of the tariff.

Mr. ALEXANDER. Take jute bagging.

Mr. WEDDERBURN. I would be very glad to appear later before the committee and answer these questions in full, for I think I could do so if I had the time.

STATEMENT OF MR. DAVID LUBIN—Continued.

Mr. Chairman and Gentlemen of the Committee: I do not know whether the figures requested by Mr. Baker in reference to the exports of agricultural machinery to foreign countries were given by Mr. Wedderburn.

Mr. WEDDERBURN. They appear in some extracts which I inserted but which were not read.

Mr. LUBIN. I have some few figures here which I will read. Here is a statement by the worthy master of the National Grange which gives the agricultural machinery exported from the United States to Argentina as $1,620,450; and from Great Britain, implements, $235,436; steam engines exported from Great Britain, $1,174,028; agricultural implements, not steam, exported from Great Britain, $791,260; total exported from Great Britain and the United States in 1893, $3,821,174. I think that answers Mr. Baker's inquiry.

Mr. BAKER. Is there any difference under existing statute between

the advantages given by law in this country to manufactured products and agricultural products sold abroad? That is, has the agriculturalist been in any way placed under disadvantages by United States statutes in relation to that portion of his product sold in foreign countries?

Mr. LUBIN. Yes, sir; to the extent of the export bounty which amounts to 99 per cent of the duty on certain manufactures, the raw material of which was imported.

Mr. BAKER. Are not comparatively the same things allowed pro tanto to agricultural products, such as fertilizers, so far as it is possible to apply the law?

Mr. LUBIN. The question before us is, How to protect agricultural products? That is the question we are talking of.

Mr. BAKER. Agricultural products sold abroad?

Mr. LUBIN. Agricultural products sold abroad have not those advantages; on certain manufactures now exported the manufacturer gets 99 per cent of the tariff back.

Mr. WILLIAMS. Owing to the protective tariff—for instance, agricultural implements—is it not a fact that the manufacturer is unable to compete in the world's market with manufacturers of other countries? But by the drawback system is enabled to sell at a low profit, and sometimes at no profit, and sometimes sell at a loss to foreigners, and is thus enabled to recoup his loss, or insufficient profit, from the people at home on that share of his product sold in the home market?

Mr. BAKER. That is a cat with a long tail.

Mr. WILLIAMS. The makers of agricultural implements have gotten out two catalogues.

Mr. BAKER. That has been denied, and I think the gentleman knows it.

Mr. WILLIAMS. I know that it was denied.

Mr. BAKER. I would like to have these gentlemen who come before the committee to inform us upon supposed statutes say, in definite terms, what disadvantage the agriculturalists are laboring under in the market which does not apply to the manufacturer?

Mr. LUBIN. If Mr. Baker will allow me, I would like to make a statement in my own way, and then I will submit to any cross-examination which he thinks necessary. It seems to me, Mr. Chairman, here is the American people, and there is a certain American industry. We desire to have all American citizens upon a higher plane of civilization than exists on the other side in Europe, Asia, and Africa, etc.; and in order to do that, we have erected an artificial wall so as to keep away the products of those cheap-labor countries, and we have thus created a civilization such as we desire. In doing that—by raising this tariff wall high enough—we have created a little world within ourselves.

The enhancement created by reason of this artificial wall must be paid by some industry as long as we keep up the system. To illustrate: Uncle Sam has had one hand chained to a cake of ice (the world's price), but underneath his hand on the ice was a pad of rubber. That pad of rubber was agricultural machinery. That pad, however, is getting thinner and thinner until the ice has begun to congeal the blood and prevent healthy circulation not only of the hand and arm, but of the body. And so of the body politic, healthy circulation is necessary for our progress. To continue, that want of free circulation would eliminate every free worker in the land, because this artificial wall is apparently not much greater than it has been heretofore; but in reality it is double or quadrupled, without its being apparent, for the decline of the world's price on staple products is equivalent to the

raising of the wall, because as the price has declined the protective tariff is practically now that much higher than it to-day seems to be.

Of course we have now some modifications of the tariff; but I made an inquiry of a practical man as to what difference there was in the McKinley bill and the Wilson bill on our stock of half a million dollars, and he said it was a little early to judge, but he thought that it would take a very fine scented nose to smell the difference. There is practically none to the consumer. It is a little here and there, but on the general average it is substantially the same thing. The world has now put forth its brown and yellow men with their cheap labor now using agricultural machinery, and with land in Argentine at or a little over 10 English shillings an acre, the time has come when you must either remove this tariff entirely, and let us meet the world face to face, or you must equalize the differences by giving the producer of agricultural staples the same artificial protection which you give to the manufacturer.

While your question (addressing Mr. Baker) was very adroitly and cleverly put, and while you deserve to be complimented for the manner in which you framed it, yet as to the real question of protection it is not covered. The fact that of the $800,000,000 worth of exports $615,000,000 have been staple agriculture and only $158,000,000 worth have been manufactured, of which part was staple agricutlural products in a certain stage of maufacture, shows that the exported manufactures cut very little figure. The protective tariff wall enhances the value of the vast bulk, almost all, of the articles manufactured within the United States. Now, the exported agricultural products are significant in this, not that it touches the prices of the export of the agricultural products alone, but on account of the greater quantity consumed within the United States, for as soon as we have a surplus of these in this country the price must necessarily be the price ruling in Liverpool, less the cost of transportation from the place of production to Liverpool, even though the product consumed may be within a few feet of the place of production.

When I produce wheat I am obliged to sell the surplus in Liverpool. As soon as I do the remainder for home use will sell for no higher than the world's price, less the cost of carriage to Liverpool, even though it be produced at the consumer's feet. This being the case, the economic conditions may be stated in these words: The skilled working man receives $2 a day by reason of protection—that is, his wages in Austria would be a florin at the free-trade price. He receives $2 a day in this country, and the trades union keeps that price up. A new condition is arising whereby the brown and the yellow man comes to the front with the use of machinery, which has driven down the price of staple agriculture one-half. A short time ago the man having 2 bushels of wheat to exchange for a hat went to the producer of the hat and said to him, "I will exchange these 2 bushels of wheat for your hat." What does the producer of the hat say now? He says, "No; I want 4 bushels of wheat for the hat." This doubling up process is crippling and eliminating the agriculturist.

I know the views of the party to which you (addressing Mr. Baker) belong. I am a representative of the same idea. I am in favor of protection, absolutely. I realize that the party with which you affiliate is honest and sincere. It only remains for that great party to study this great economic question, so that it can understand it. It is not a difficult abstract question; but, fortunately, it is so simple that everyone who desires may understand it thoroughly.

It is absolutely impossible for the producer of agricultural staples to double up in exchange. He will be eliminated, and ultimately labor will be injured. The producer of the hat will go on persistently wanting 4 bushels of wheat for what formerly he exchanged for 2 bushels, not perceiving the danger; but ultimately the laborer is to get a blow from the shoulder, and he will be hit hard, for his food supply will be cheap enough, but the purchasing power once permanently diminished, his high wages are gone. After the agriculturist has been eliminated from the land the Chinese and Japanese serfs and the riffraff of all countries will be placed on the ranch to cultivate it under the peasant tenantry system, and the now free, independent farmer will be idle in the cities. When you eliminate the agriculturist of the present day, you do not eliminate the production, but in place of the independent farmer who was able to expend $1,500 a year made out of the farm, you will have the man who will be expending two or three hundred a year, and the work shops will find a rebound in the decreased demand for their goods and workmen for labor.

A shoe drummer came to my place, and, feeling disappointed that I had not given him an order, said: "I do not understand why you do not place an order with me, for I have a very fine line of goods—the finest in the country." I placed a circular, "Protection to Staple Agriculture," in his hands. He crumpled it up and said to me: "I don't own a farm, and this matter does not interest me. What good is this thing to me?" I asked him to read it, and after reading it he said: "This opens up a new vision. You do not place an order for fine shoes because you have no demand for them, and you do not have a demand because the farmers have not money enough to buy fine shoes, all because they did not get enough for their crops, or because protection rests upon them entirely?"

"Yes."

"But," said the shoeman, "farmers do not, as a rule, buy my line; the better class, city people, do."

"But when the farmer has no money to spare, the city man, as a rule, will be in the same fix."

Hence, if the net return to the producer of agriculture is diminished, the storekeeper, the traveler, the manufacturer, the workman, each and all, are injured. The first to feel the effect the keenest is the high-priced skilled workman.

This question is as broad as the nation, and broader, because this American nation, I believe, God Almighty intended should be a lamp to light the nations of the earth; and I believe that we have gathered together in our country the wisdom of the whole world, and that we have light to illuminate it. When we go down, the world will go down with us—the world of intelligence, the world of civilization. This question is one of enlightened civilization and true progress.

Mr. BAKER. I agree with you and with everybody else who is trying to alleviate the present condition of civilization or the condition of the workingman, or any class of American citizens; but as a basis, first let us get down to the real question. Please tell me whether or not the agriculturist does not occupy the home market as exclusively as the manufacturer?

Mr. LUBIN. No; because he has got to sell abroad.

Mr. BAKER. I am not talking about abroad. Has he not just as much of the home market of the United States as has the manufacturer?

Mr. LUBIN. No; he has not the home market exclusively, because he has to send out his product.

Mr. BAKER. I am not talking about sending out or in. I am talking about the home market.

Mr. LUBIN. I would like to answer the question if I can get it in my mind.

Mr. BAKER. Here is exactly what I want to know: We are not talking about Europe, Asia, or Africa; but I want to know whether or not the American people are not supplied with agricultural products by the American agriculturist as exclusively as they are supplied manufactures by the American manufacturer?

Mr. LUBIN. They are, but at the world's free-trade Liverpool price, less the cost of transportation from the place of production to Liverpool.

Mr. BAKER. You have admitted that the home agriculturist has an equal advantage with the home manufacturer?

Mr. LUBIN. I beg your pardon. Will you say just what I have admitted?

Mr. BAKER. I understood you to say that the agriculturist had the home market as exclusively as the manufacturer had.

Mr. LUBIN. You are correct, if you admit the conditions of the Liverpool price.

Mr. BAKER. I am not talking about Liverpool; I am talking about what actually exists.

Mr. WILLIAMS. You are supposing a case.

Mr. BAKER. I am not. I simply wish to know the fact whether or not the agriculturist of the United States supplies the home market as a rule.

Mr. LUBIN. He certainly does.

Mr. BAKER. Now, when he has supplied the home market, and is looking out to a foreign country, are you not going beyond existing law and asking something which is not given to the manufacturer?

Mr. LUBIN. In order that the manufacturer may be protected, and because he is protected, I want to say—and to say it in strong terms—that it is absolutely necessary that the other industry furnishing the commodity for exchange with the nations of the earth for our tea, coffee, medicine, etc., namely, the industry of agricultural staple products which are now sold at the free trade Liverpool price, should also be protected.

Mr. BAKER. Our manufacturers are protected in nothing except the home market.

Mr. LUBIN. That is enough.

Mr. BAKER. Are you not protected in the home market?

Mr. LUBIN. Am I not protected in the home market? Absolutely no.

Mr. BAKER. Why not?

Mr. LUBIN. Because the law of commerce is this: As soon as you produce a surplus——

Mr. BAKER. We are not talking about a surplus, but about home consumption.

Mr. LUBIN. Any man who has had experience in a corn exchange will know that Liverpool is the center, because she is the chief buyer of the surplus. The Liverpool price becomes our home price, because we export such a large proportion of agricultural products, which is sold in the open market of the world, and not in a closed market, as our manufactures are sold, and because in the open market there is no distinction in price between the buyer for export or home use. The manufacturer sells privately, as it were, to 65,000,000 people at protected prices, whereas he will pay no more for the American agricultural staple products than the Liverpool price, less the cost of trans-

portation from the place of production to Liverpool, no matter where it may be in the United States.

Mr. BAKER. You admit, do you not, that Argentine, England, and Egypt have not imported agricultural products into this country to any extent?

Mr. LUBIN. That would neither add to nor detract from the question.

Mr. BAKER. Is it not a fact?

Mr. WILLIAMS. It is all the same whether they import or not.

Mr. BAKER. If you have the home market for agricultural products, are you not on the same ground with the manufacturer?

Mr. LUBIN. In the way in which you have put that proposition, I know you are certainly sincere. I am aware that all the men of our party who have a similar method of argument have been perfectly sincere in it for many years. But how did it end? It ended in California by introducing in the Republican platform of this proposition as a plank, and we elected upon it six out of seven members of Congress to the next House.

Mr. SIBLEY. I would like to ask Mr. Lubin a question right on the line of the question of the gentleman from New Hampshire. You stated that your political affiliations were with the same party as Mr. Baker's; but he has made the proposition that you were giving the agriculturist something which the manufacturer does not receive. But does not your party recognize, in its dealings with the sugar question in this country, that a special interest can not always be embraced under one general law, and therefore you took care of the great sugar interest, and paid a bounty to the growers of American sugar? I am sorry that the gentleman from New Hampshire did not hear you illustrate the proposition the other day. I am frank to say that I was prejudiced against it, and thought it chimerical; but, after listening to the gentleman on Saturday, I came to the conclusion that his plan was not a detriment to protection.

Mr. BAKER. Our party did grant a bounty to sugar, and I will ask you if your party did not denounce it?

Mr. SIBLEY. I am not saying whether it is right or wrong, and I am not afraid of anything because it has a bounty attached to it. Anything that gives dignity to American interests suits me; and if the gentleman can convince me that this will be a benefit to the American agriculturist, the term "bounty" will not frighten me. I would like to have the gentleman repeat his remarks of Saturday.

Mr. LUBIN. I wish to state, in relation to the word bounty, that the proposition has been misinterpreted in this case. The sugar bounty refers to a bounty on production. That would not be true of this. A bounty on exports would represent the following. It would raise the price of staple agricultural products, not alone on the exports, but all over this land. Once advance our export price, and you need not bother about the home price, because the home price will raise correspondingly. The export price raised, that raises the price at home.

Mr. BAKER. I disagree with your conclusions in relation to the tariff on productions.

Mr. LUBIN. Would the gentleman object to answering a question for me?

Mr. BAKER. Very probably not.

Mr. LUBIN. If this inkstand on this table is an imported article and represents the value of $100, and say there is $50 duty on it, is that all the tax that the consumer has to pay?

Mr. BAKER. Do you mean whether the $50 tax is all he has to pay, or whether he must pay something above that and the original cost?

Mr. LUBIN. Is the $50 duty the only thing that the consumer pays, or does he pay more than the $50 and the original cost of the article? Suppose this represents a case of goods worth $100, and there is $50 duty. Here is the custom-house bill for the duty of $50, and here is the bills for the goods proper. What does the consumer pay? Is the retail price of that article $150, or more?

Mr. BAKER. As a rule, it is a little more——

Mr. LUBIN. How much more?

Mr. BAKER. Because the wholesaler and retailer always charge a percentage on the amount paid out in order to get their profits.

Mr. LUBIN. You have answered that first rate. It is not only the profits of the importer, the jobber, and the retailer on the goods proper, but similar profits on the duty will all be added, as sure as fate.

Mr. BAKER. That does not determine the percentage which is paid by the consumer.

Mr. LUBIN. Why not?

Mr. BAKER. Simply because that depends on competition among manufacturers, which opens up the whole tariff question; but if you will hire a hall I might argue that with you.

Mr. LUBIN. It does cover it absolutely. I am speaking as a merchant.

Mr. WILLIAMS. The drift of your argument is this: Assuming it to be fair, and, within proper limits, right, that legislation should be enacted to protect the manufacturer's capital and the manufacturer's labor by an import duty (which method has been thought best, and has been adopted for that purpose), you think it is also fair and equally honest, right, and constitutional to protect the agriculturalist's capital and labor in the same method adopted in the case of the manufacturer; and the only reason why you would not protect both in the same manner is that it is impossible for the American landholder to keep up prices in the home market on American products when the price is necessarily controlled by the price of the world's market.

Mr. LUBIN. I could not have stated it in better terms if I had tried a month—with this difference, that it is absolutely necessary for us to have this surplus of staple agricultural products to send abroad.

Mr. WILLIAMS. To pay for keeping up the wall.

Mr. LUBIN. To pay for keeping up the protective system. We have got to pay the foreigner for our imports with our exports—agricultural staples—because he will not take our millinery, our hats, and such other articles. Mr. Blaine's plan of reciprocity would not bring about that, because the South Americans would not buy our neckties, or shirts, or buckets, when they could procure them for a lesser price.

Mr. BAKER. You appear to think that free trade would not be a natural order of business for us. Under free trade would we not have to import more than we do under protection?

Mr. LUBIN. We would at the start; but presently the laborer's stomach would be empty, and he would have to go to work for 30 cents a day, for he could not get more. In the manufacturing centers labor would go down to the cheap European labor level.

Mr. HAINER. The basis of your argument is that the prices of agricultural products are determined by the price in Liverpool, less the cost of getting the article from the United States to Liverpool?

Mr. LUBIN. That is correct, provided you strictly adhere to the term "staple agricultural products."

Mr. HAINER. That would include wheat?

Mr. LUBIN. Yes, sir.

Mr. HAINER. Are you familiar with the prices of wheat at Duluth?

Mr. LUBIN. Not to-day.

Mr. HAINER. Is it not a fact that the price of wheat, both relatively and absolutely, is higher in Duluth than it is in Liverpool?

Mr. WILLIAMS. It may be by bulling and bearing the market.

Mr. LUBIN. It is not really higher, because the Liverpool price rules the world.

Mr. HAINER. I suggest that the gentleman look that up, because he will find that he is mistaken.

Mr. BAKER. The same is true of Chicago.

Mr. LUBIN. Does not Liverpool control the price for wheat, cotton, corn, and tobacco?

Mr. HAINER. Not necessarily. As a matter of fact, there is but small difference in price between New York and Liverpool, taking a series of years together. It is less than 1 cent, and you could not ship it for that price.

Mr. WILLIAMS. Do you refer to spots or futures?

Mr. HAINER. I am speaking of the actual cash wheat.

Mr. WILLIAMS. You are mistaken.

Mr. SIBLEY (to Mr. Hainer.) You understand why?

Mr. HAINER. Certainly.

Mr. BAKER. You have stated that either the bounty must come or the protective wall must be swept away. Will you tell me how the destruction of protection in this country would improve the condition of the agriculturist?

Mr. LUBIN. I would rather see the protective system equalized.

Mr. BAKER. That is not what you said.

Mr. HAINER. Would it benefit us any to wipe out protection?

Mr. LUBIN. No, sir.

Mr. HAINER. I think there is a good deal of truth in that.

Mr. LUBIN. I thank you.

Upon motion of Mr. Baker, the hearing was ordered to be printed.

Thereupon the committee adjourned.

Mr. Lubin submitted the following as additional testimony:

QUESTIONS ASKED BY MR. D. LUBIN, OF SACRAMENTO, CAL., OF MR. GEORGE F. STONE, SECRETARY OF THE BOARD OF TRADE OF THE CITY OF CHICAGO.

Q. Mr. Stone, I desire to ask you a few questions in your official capacity as secretary of the Board of Trade of the city of Chicago. What effect would a Government bounty on the exports of wheat have with regard to the general price of wheat throughout the United States?—A. It would, in my opinion, increase the price per bushel.

Q. It is said that the speculators would get the 5 cents bounty, or at least the greater part of the bounty?—A. If a bounty of 5 cents a bushel should be given by the Government on all wheat exported from this country, in my opinion, the farmer, or producer, would receive the full benefit of that bounty and not the speculator or exporter. It would simply enable the buyer to pay that much more than he otherwise could pay or would be justified in paying. Competition would force him to

pay all he could to the farmer to obtain his wheat. It would be for the interest of the exporter to obtain the wheat. That would be his object. Competition would force him to secure it by every possible means without loss to himself. His great object is to maintain his business, to enlarge his business. Competition would impel him, as it now impels him, to give every cent that he can possibly afford to secure the product which he seeks to export. The fierceness and intensity and volume of competition, by the very force of circumstances, by the very necessities of the case, would drive the 5 cents bounty proposed by the Government into the pockets of the farmer, or producer. There it would land and from there it could never be wrested by speculators or by anybody else.

Q. It is also said that the shipowners would get this 5 cents, or the greater part of it.—A. I believe the answer to that is fully embraced in the reply which I have hereinbefore given.

Q. It is also admitted by some that the 5 cents would come in some way to the producer for the quantity that would be exported, but that there would be no advance on the greater quantity remaining for home use.—A. It is a mistake, in my opinion, to say that the 5 cents per bushel bounty which it is proposed to give would be confined in its beneficial results to the quantity or volume of grain exported. It would effect the price of the entire crop, for the reason that grain is a surplus crop in this country, and consequently the price per bushel of this grain is fixed and controlled by the export price of this grain, and this export price, of course, I will here say parenthetically, is made in competition with all the other surplus wheat producing countries in the world. No domestic buyer will pay one single fraction of a cent more for a single bushel of wheat than the buyer for export will pay. The latter makes the price for the entire crop. If no more were raised than was required for home consumption the price would depend upon the domestic demand; but the export demand is a continuous demand, inasmuch as the demand for food can never be interrupted for any length of time, and this continuous demand for wheat, so far as a surplus wheat producing country is concerned, fixes the price of the entire crop of this cereal of that country. No class of domestic buyers, of course, can be made to pay any more than the price offered by the export demand, the domestic and the export demand being ever present in the market.

Mr. LUBIN. This measure of a bounty on the export agricultural staple products is intended to enhance not alone the price to the producer of the quantity exported, but also of the greater quantity at home, and is intended as a recompense, or as a means of arriving at an equilibrium between the outlay by the producer of agricultural staples for the cost to him of protection to manufacturers.

Mr. STONE. I think I have covered all the features of your inquiries in the observations hereinbefore submitted. If protection is the public and controlling policy, I don't wonder that the farmer wants the plate passed round to his table once in a while.

GEORGE F. STONE,
Secretary of the Board of Trade of the City of Chicago.

DECEMBER 20, 1894.

THIRD DAY'S HEARINGS.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Saturday, February 16, 1895.

The committee met at 11 a. m.

The CHAIRMAN. We will hear this morning Mr. Grove L. Johnson, a member-elect of the next House, on the resolution before the committee in regard to the export bounty on farm products.

STATEMENT OF HON. GROVE L. JOHNSON, OF CALIFORNIA.

Mr. JOHNSON. Mr. Chairman and gentlemen of the committee, I do not know that I can add anything to the able statement made by Mr. Lubin in regard to the matter before you; but I thought I might perhaps say a word or two which would impress the committee with the idea that this was not a new proposition in legislation in the United States. In conversation with Members of the House, I find that some of them raise objections to Mr. Lubin's proposed plan of benefiting the producer on the ground that they think it inaugurates a new method of carrying on the Government business. In looking over the legislation of Congress enacted in the early history of the country, I find that the United States paid an export bounty on pickled fish by a statute passed in 1813. The matter at that time, of course, was treated to some extent as a war measure, and it was also favored as being a scheme to encourage fishermen from whose ranks could be procured recruits for the Navy; but still, it was a recognition of the policy of paying a bounty on exports which is the question now before you, involved in the proposition so clearly presented by Mr. Lubin.

On looking over the names of those who voted for the proposition at that time, I find that of John C. Calhoun, who was as much in favor of a strict construction of the Constitution as anybody possibly could be, and whose actions are frequently cited as authoritative precedents in national legislation.

The CHAIRMAN. Can you give the date of that statute?

Mr. JOHNSON. The date of it is July 29, 1813, and it will be found in Volume 3, Statute Laws, page 50. In 1816 it was extended. It is true that it—the payment of the bounty—was guarded by requiring the fisherman to do certain other things, but it was a recognition of the right to enact and of the policy of an export bounty. In the same statute there was a bounty authorized to be paid on the tonnage of ships engaged in that kind of business—viz, fishing—showing that the Government was ready to pay a bounty to build up our merchant marine as well as to aid in the business of exporting our products. If such an enactment could be made in 1813, eighty-two years ago, and evidently with success in its enforcement, it seems to me that it is a good precedent for us to follow, and should convince all that we are not, by asking a bounty to be paid the farmer and producer of America, seeking to establish a new and peculiar line of Government.

As to whether or not something has to be done at the present time to aid the American farmer and producer, I do not suppose that there will be any difference of opinion in the minds of the members of the committee or of the people at large upon that point. It is apparent to all who have either casually or carefully examined the situation that there is an absolute necessity that something must be done to relieve

the present depression in the prices of our agricultural products, and the present depressed financial condition of those who produce them.

It is as true now as it was hundreds of years ago when Hogarth made his paintings illustrating the condition of England. Those paintings represented, first, a king on his throne with his scepter in his hand and his crown on his head, while underneath was inscribed, "I govern all." Right by the side of the king was the representation of a bishop in richly embroidered canonical habilaments, and under him was inscribed, "I pray for all." By the side of the bishop there was the picture of a soldier in his gorgeous uniform and accouterments, and underneath his picture was written, "I fight for all." Then came the picture of the farmer, with his pockets turned inside out and his hands outstretched and empty, and underneath his picture was inscribed, "I pay for all." It is as true now as it was then. The producer of America is the real supporter of all the other classes and also of the Government. He pays the taxes—direct and incidental—the tariff, whether high or low.

Of course any difference in politics in the members of the House or this committee makes no difference in regard to our recognition of the fact that we—that is, our country and the farmers and producers thereof—are in trouble. As to the cause of that trouble, and as to which cause is the most responsible therefor, I frankly confess I am not able to state, for I do not know. I think Mr. Lubin in his argument is right to a certain extent. In reading the report of your meetings as published, I notice the chairman gave his ideas on the subject and stated that the demonetization of silver was a primal cause, which I most cordially indorse. I think that is one of the great causes, also, of our national trouble, and that we ought to carry out the ideas which the chairman enunciated in reference to free silver. But we should first adopt and enforce Lubin's plan of paying an export bounty on agricultural products. It does not make any difference, however, as to the origin of, or as to the cause; the result is what concerns us, and the result is here. Everything is in trouble.

I came over the Southern Pacific Railway route, on my recent trip from California to Washington, and stopped over at New Orleans, Atlanta, and Montgomery, and talked with the people at those cities, and also at other places on the way, and I found one universal cry of distress in all cases among all classes of producers—the cotton men, the sugar men, the grain men, and in fact everybody. The people are all blue, so to speak. Everybody was speaking of the low price of products, and wondering what was going to happen, what could be done to raise prices and help the people, to lift the mortgages and make times good again.

That was also the way the people felt in my State, and in other States on the Pacific Coast, and the general expression was that something ought to be done and done at once. Many and various plans were suggested, but upon one point all agreed—that Congress must act, must relieve the land and the people.

As to whether or not an export bounty on agricultural products, as requested, will relieve our distress, no human being can foretell, but it is worth trying. I admit the force of what the chairman says—that it may prove a mere temporary expedient.

Still, to use the illustration which was used at your former hearing by your chairman, if a man is sick, and you have only certain remedies which you can apply, and you know they will afford some relief, those

remedies ought immediately to be applied so as to relieve the patient as speedily and as much as possible, and not allow him to die while you are hunting for the very best remedy you can get, and are wasting valuable time in deciding which is the best remedy. I think we can get this remedy adopted by Congress, and while it may not cure the evils, while it may not do the good that Mr. Lubin and his friends think it will, still it will be of some benefit, it will give some relief. I am a Republican, and believe in protection; hence I desire not to be misunderstood upon this proposition. My idea is that the benefits of protection (as operated in America) to the farmer have only been indirect benefits, and that he has not been benefited directly, except of course as to some productions guarded against foreign attack. Of course he receives the indirect benefit conferred by protection, in that what benefits all aids him—in that the increase of factories brings more people, and that means more buyers of his crops.

Here is an opportunity, it seems to me, to even matters up in the United States and to give the farmer the benefit of the protection system to the same extent that we give it to the manufacturer. Hence, as a believer in a Republican protective law as well as a citizen interested in the welfare of my country, I favor this proposition. The free trader ought to be in favor of it, because if it proves good in practice it will extend relief to the very people that the free trader says need relief more than any other class in America; and if it turns out to be injurious to the nation it will show the evil effects of protection more than anything else which has transpired in our history, or that can be enacted into law. So, I say, the free trader, the protectionist, and the citizen generally all ought to be heartily in favor of it.

Now, as to the amount of bounty or the manner in which it should be extended, I can only say that the session being so near at an end I presume nothing in that respect can be done. What I want of the committee, however, is to recommend this plan in a report, thus calling attention to it, and also ask Congress to take the matter up for examination, and pass some law in relation to it at its next session. I hope that you will recognize by your report the idea of paying an export bounty on agricultural products, as suggested by Mr. Lubin, and feel certain that your action will meet the approval of the people regardless of party. There is no party in this question—it is only the country.

The question was asked by Mr. Baker at your former meeting, and I regret he is not present to-day, whether or not the farmer was not on the same terms as the manufacturer in our protective system. It seems to me that the answer to the question is found in the question itself. The reason why two and two make four is because they do. The reason why the farmer is not protected is because he is not. The manufacturer is protected directly and the farmer is not, and therefore the farmer is at a disadvantage. There are various refinements of sophistry and logical expression used to cloud this question, but the matter can be summed up in the expression of the fact that the farmer is not directly protected while the manufacturer is. I do not know that I can formulate anything that I would wish adopted as a report by your committee except simply to ask you to express a general idea favoring this bounty system. In my State I made the campaign last fall on that issue, and I think it was thoroughly indorsed by the people. I think the people in my State are in favor of it, and as an evidence thereof I submit for your consideration the following preamble and resolution which was adopted recently by the legislature of California, also the remarks made by

Mr. Lubin before the legislature of California which led to the adoption of said preamble and resolution:

ACTION OF THE CALIFORNIA LEGISLATURE.

Whereas: Protection of American industries against the competition of the cheap labor countries of the world is the controlling and public policy of this nation,

And whereas the present method of protection by a tariff on imports can only protect the home market of manufactures against imports, but can not protect the staples of agriulture against foreign competition, because these are produced in surplus quantities for export, and,

Whereas to protect one industry and to leave the other unprotected, is to compel the unprotected industry to pay for the protection of the protected industry, which is an injustice;

Therefore, we respectfully memorialize the Congress of the United States to remove this injustice by providing by law an equal measure of protection to the staples of agriculture now granted to manufactures, and that this be done by applying a portion of the revenue now collected as protective tariff in the payment of an export bounty on the staples of agriculture.

The movement for protection to agriculture, inaugurated by David Lubin, of Sacramento, Cal., while young, is moving rapidly, as is proven by the extensive inquiry regarding these hearings which is coming to Members of the House from all parts of the United States. And a national organization has been perfected in my city of Sacramento, with David Lubin as secretary, to educate the people in regard to the Lubin proposition, known as "The Equitable Protection League of the United States."

Its declaration and principles enunciated are as follows:

DECLARATIONS.

The introduction of labor-saving agricultural machinery in the hands of the cheapest field labor of the world—in Argentine, Russia, India, Egypt, Asia Minor, and North Africa—has brought the American producer of agricultural staples face to face with a new and destructive competition.

This new condition has already reduced prices of the most important staples below the profit point. When the producer of staple agricultural products can not buy, the demand for labor in the manufacturing centers decreases, and wages must fall in spite of tariffs or trades unions.

How to restore to the producer of staple agricultural products his purchasing power, by assisting him to meet this unequal competition, and by thus stimulating the demand for manufactures and maintain the rate of wages is the aim and purpose of this league.

ITS PRINCIPLES.

Whereas, protection of American industries against the competition of the cheap labor countries of the world is the controlling and public policy of this nation; and

Whereas, the present method of protection, by a tariff on imports, can protect only the home markets of manufactures against imports, but can not protect the staples of agriculture against foreign competition, because these are produced in surplus quantities for export; and

Whereas, to protect one industry and to leave unprotected other industries, the price of whose products are fixed in foreign markets, is to compel the unprotected to pay for the protection of the protected industry, which is an injustice:

Therefore we demand of the Congress of the United States the enactment of such laws as will remove this injustice and secure a measure of protection to the staples of agriculture equal to that now granted to manufactures, and that this be done by applying a portion of the revenues now collected as protective tariff in the payment of an export bounty on the staples of agriculture.

CONSTITUTION.

ARTICLE 1. The name of this organization shall be "The Equitable Protection League of the United States," and its headquarters shall be at Sacramento, Cal.

ART. 2. The object of this league is to advocate equity in protection and in national taxation as set forth in the principles.

ART. 3. Applicants for membership shall sign the blank provided by this league, indorsing its principles.

ART. 4. The officers of the league shall be a president, first vice-president, a second vice-president, a corresponding secretary, a recording secretary, and a treasurer, all of whom shall be elected by ballot on the first Friday in March. The officers shall constitute an executive committee. Ballots for the election of officers may be cast by person, by mail, or by proxy.

ART. 5. All disbursements of the funds of the league shall be upon the approval of the executive committee, but they shall not be authorized to incur a liability in excess of the amount of funds in the treasury. The executive committee shall have power to appoint organizers of subordinate clubs throughout the United States, which clubs shall be subject to the rules and regulations of the national league.

ART. 6. This constitution may be amended by a two-thirds vote of the members at any regular meeting of the league, providing the proposed amendment shall be furnished to the secretary, and shall have been mailed by him, together with a notice of the meeting to all members of the league, at least thirty days before the meeting at which action shall be taken thereon.

ART. 8. Under no circumstances will the league identify itself with any political party, its aim being to unite all parties in support of the policy which it advocates.

After the reading and adoption of the constitution and by-laws Senator Seymour, of San Bernardino, moved that the fee of membership be fixed at $1 per year, and the motion was carried.

On motion of O. H. Merry, the meeting proceeded to elect permanent officers for one year, as follows:

President, Senator E. C. Voorheis, of Sutter County; first vice-president, Senator T. L. Ford, of Sierra; second vice-president, Senator Frank McGowan, of Humboldt; third vice-president, Hon. R. I. Thomas, of Nevada County; corresponding secretary, David Lubin, of Sacramento; recording secretary, J. A. Sheehan, of Sacramento; treasurer, Frank Miller, of Sacramento.

I hope the committee will incorporate a recommendation of this export bounty in their report.

I thank you, gentlemen, for your attention.

ADDENDUM—SUBMITTED BY HON. GROVE L. JOHNSON.

Protection to agriculture—Speech of David Lubin in the Assembly chamber of the California Legislature, Sacramento—He explains the proposition to extend the principle of Protection to Staple Agriculture.

On invitation of several members of the legislature, David Lubin, of this city, addressed a public meeting in the Assembly chamber on Wednesday evening, in explanation of the proposition to extend the principle of protection to staple agriculture. As the subject is of great importance, the address is herewith given in full.

The meeting was called to order by chairman, Assemblyman Owen Wade, who spoke as follows:

As was announced in the assembly to-day and also yesterday, David Lubin, of Sacramento, will address all who are present this evening to hear him on the subject of the resolution which was printed in the journal to-day, in relation to the depression of agriculture and what methods might be adopted for the improvement of the condition of agriculture in this State and in the United States generally.

He has ideas on the subject which are not wholly new to you, ladies and gentlemen, who have read any of his writings upon the subject during the last year or more. I know that he has scattered his writings through the country, and I have no doubt that many of you have received them and read them, so that the subject will not be new to you. I will now introduce to you Mr. Lubin.

Mr. Lubin entered upon his subject at once:

The proposition which I desire to bring before your notice this evening is beyond a question the most important before the people of the United States. It concerns the welfare of Sacramento City, Sacramento County, the State of California, every State in the United States. It is imperative. The proposition which I advocate should have been a policy years ago. It is imperative that it become a policy within these United States now.

I shall not endeavor to speak to you this evening as a Republican, or as a Democrat, or as a Populist, but as an American citizen, and desire that what I have to say shall be received in that light.

There are two resolutions, one calling for books, rather "hearings." These "hearings" are printed by the Government and furnished free to the people. We desire a great deal more of them in the State of California. This is the first resolution. The second resolution I will read:

"Whereas protection of the agricultural industry as against the cheap labor countries of the world is the controlling and public policy of this nation; and whereas the present method of protection, by a tariff on imports, can only protect the domestic manufactures against imports, but can not protect the staples of agriculture against foreign competition, because these are produced in surplus quantities for export; and whereas to protect one industry and to leave the other unprotected is to compel the unprotected industry to pay for the protection of the protected industry,

which is an injustice; therefore we respectfully memorialize the Congress of the United States to remove this injustice by affording by law an equal measure of protection to the staples of agriculture now granted to manufactures, and that this be done by applying a portion of the revenues now collected as protective tariff in the payment of an export bounty on the staples of agriculture."

What does this mean? It will be explained to you further on in my remarks. For the present time it is only necessary to illustrate this question much the same as the illustrations are made in the principle of teaching known as the "kindergarten."

A QUESTION OF VAST IMPORTANCE.

We have here a tremendous question, a question that is obscure, not understood, and which a great many partisans take great delight in obscuring, and to-night this will be made plain.

Now, if we take one hand here, and another hand here, and call this hand "manufacture," and the other hand "agriculture," and if these two hands are equally balanced and poised, then we have an equilibrium between the two great interests of this nation, and this nation has economic peace. Whenever in the process of time there is a disturbance of this equilibrium, and one is lower than the other, then comes an economic disturbance. While this remark, an economic disturbance, may seem nothing to many people, it means everything. An economic disturbance of the body politic is similar to the disturbance of the heart or brain in the human system. It has the power, if left unchecked, to do that which civil wars can not often do, or which invasions can not do. It destroys the body-politic just as surely as the inequalities of the heart or brain will destroy the human system, unless remedied.

A SIMPLE PROPOSITION.

We are now in that condition. We have here manufactures, and manufactures are protected by a tariff. This protection and tariff may seem to some ladies, some boys, some young women, some old men, a very obscure thing. It is very simple. There is nothing hidden in it at all. It is more simple to the merchant, perhaps, than it is to the politician or the lawyer or the preacher. He that imports goods knows what a tariff means at once. He does not have any theory about it; it is practical with him; he knows it. More than that, the bill clerk in his employ will know the tariff and know it, perhaps, better than a politician will at times.

This is the tariff: If we take this as the United States, divide it into two divisions, one here and another there [indicating the speaker's desk], one-half to manufacture, the other to agriculture, we have the following: This we will call the world's level. Supposing there was another table at the same level, and another one here and another one there, and this would be the first level. If the world's level would permit it, goods would come in from every section of the world, and there would be no protection. But, if these goods were permitted to come in it would lower the wage rate to the world's level, to the level at which the goods are made in these countries, and some allowance may be made for the fact that we have greater skill here than there. But that greater skill comes from a higher wage rate; that wage rate comes through the tariff. Consequently we travel around a circle.

Let us see what the tariff is. It is an artificial wall. We say to the other nations on the same level, "Ladies and gentlemen, you can not come in here with your brooms, suspenders, buckets, hats, or neckties; if you come here, come at your peril—in other words, you will pay a fine." Then they must bring their goods in here up to this level, climb over this wall and drop fines into a box, commonly called "tariff," which tariff is used for Government expenses. That is pretty nearly the mode or procedure of the tariff for protection.

What does this thing do for you? Does it operate by reason of this wall, these fines that are dropped into the box? Do they permit us to manufacture goods inside of our country? Yes, up to the limit of this wall. It creates an artificial rate.

WHO PAYS THE TARIFF?

What does this artificial wall do? Supposing a case of goods comes in, and the duty, or fine, is $50. Fifty dollars is deposited in the United States Treasury and is paid out for running the Post-Office or War Department, or for any Government expense, and that is the end of the business—that is the tariff. Is this the end? Oh, no! This is the beginning of the protective tariff. Let us see how it affects the people. Some of our friends tried (and I may say it was in the Republican State central committee) to impress it upon my mind that the fellow on the other side, the European, paid the fine. Now, this is absurd. It is not true. The fine is paid here, not by the foreigner.

Now, after having paid this fine, what becomes of it? Somebody must pay it back. Government receives it. Let us ask the importer. He receives the case of

goods and pays $50 fine. He must immediately charge the $50 on top of the goods. What then? Whether he pays out $50 for gloves or for fines in the tariff charge is immaterial. He must make a profit on the money he pays out for the goods and on the money he pays out for the fine or duty. Consequently, as an importer, he must charge the fine or duty on the goods and with 15 per cent profit on the fine or duty. We are not done yet. The importer does not sell to the retailer; the goods go to the jobber. The jobber adds 20 per cent profit on top of the importer's profit. We are not done yet. The jobber then sells to the retailer; first the importer, then the jobber, then the retailer. The importer adds 15 per cent profit, the jobber 20 per cent, and the retailer 25 per cent, which makes your $50, $86.25. All these charges are not for goods, mind you—it is the fine or duty, and the profits thereon. Who pays that $86.25? Why, everybody. Here is the laborer; here is the mechanic; here is the physician, and here is the farmer. Who all pays this $86.25? The most astonishing thing of it is that not a soul pays this $86.25 except the producer of staple agriculture—absolutely every penny, and the profit added thereto.

The workingman says: "These clothes are protected—I paid for them." But, Mr. Workingman, what rate of wages are you working for? Are you receiving free-trade wages and paying protected prices for your necessities, or are you receiving a protected wage that is so much higher than the world's free-trade price as to make it profitable for you to have protection?

Who is it that pays this fine and the profits thereon? The physician? Not a particle; he receives a protected fee; the minister receives a protected fee. Every person in the United States receives a protected fee, income or wage rate, except the poor devil who raises staple agricultural products.

Now by staple agricultural products I do not wish anyone to understand that I mean cabbage or anything a portion of which is not exported. Agricultural products all consumed at home are the same as protected manufactures—they are not brought into competition with the free-trade world's prices because they are not exported.

THE EXPORT SURPLUS GOVERNS HOME PRICES.

Now, what is a staple? A staple is this—a commodity of which there is usually a quantity for export, a surplus which is sold to some other country. There is always a surplus of the agricultural products in our country, and we produced a surplus even before we were a republic.

What is done with this surplus? It is sold to whatever country will buy it. Who is the buyer? England, chiefly. What will she pay for this surplus? No more than she can buy the same surplus from the cheapest labor countries of the world—not a copper more. What then? Oh, we say, admitting that this surplus is sold at the cheapest prices in the world, in direct competition with Argentine, India, Russia, the cheapest labor countries of the world, that of course is sold at the free-trade prices. But this is a trifle when we compare the much greater quantity consumed at home for 65,000,000 of people who will pay the protection prices for it.

Now, some say, by putting great, big factories alongside of the great, big farms we are going to receive protection prices in place of sending our staple agricultural products abroad to other countries and receiving free-trade prices. That is a very good argument to make for people fitted to receive such an argument. But it is a blind. There is not a particle of truth or sense in such a statement. Such an argument is made by either a knave or a fool, for, mark, as soon as there is a surplus that surplus is sold in Chicago, San Francisco, New York, in an open market, commonly called the "wheat pit," or where they sell cotton, "the cotton exchange," or for tobacco, the "tobacco exchange." Now, if we go in there we will see a great clock, as we see at St. Louis, that says "Liverpool," "Chicago," "Detroit," "Baltimore," and different shipping points, and here is a big bulletin showing how much wheat is available, what is afloat, all these different things that these buyers understand. It is a portion of their business. Now, then, how is the buying done? Supposing that gentleman [indicating] shall be a buyer for Liverpool, and I am a buyer for Sacramento. We would both hold up our hands, and if he buys at 61¼ I would buy at 61¼, and there would not be a difference of a copper between us. Consequently, you see our factory alongside of the farm is an excellent argument to pull the wool over our eyes with, but it is absolutely without value as a fact. There is not a word of truth in it.

Now, what takes place? Protection against imports creates an artificial wall; that artificial wall is the amount of the fine. When they talk of $50 duty, we must get rid of that idea; it is $86.25 for every $50 duty paid. But even if it were $50, it would be an enormous duty. But it is $86.25. What becomes of it? Here is the strong division line. The producer of agricultural staples, as we have seen, sells at home and abroad at the Liverpool free-trade price, less the cost of carrying the product from the place of production to Liverpool. Therefore, the protected manufacturer in our own country will never pay more for agricultural staples than the

Liverpool price, less the cost of carrying this product from the place of production to Liverpool, even when it may not go over two miles to be consumed from the place produced.

INJUSTICE TO THE FARMER.

Now, let us sum up. The producer of agricultural staples sells his products at the lowest free-trade price in the world, whether he sells it for home use or whether he sells it for export. Therefore, he is compelled to sell at the cheapest prices of the world, and our present one-sided protection system compels him to buy what he needs at the highest prices in the world. As these producers are the only class who do this in our country, it follows that they pay the entire cost of the protective system.

For a great many years this state of affairs has been going on. Notwithstanding this, strange as it may seem, he country was prosperous. Notwithstanding the enormous load that the producer of staple agriculture had laid upon him, he could until recently maintain an equilibrium under protection. Staple agriculture, true, never was protected, and yet it was protected. What strange thing protected him? It was not the Government, but it was by this means our protective system created a high wage rate; labor became skilled, became the most skillful in the world. It invented labor-saving agricultural machinery, which was utilized by our producers of agricultural staples, and we were almost the only people in the world that utilized labor-saving agricultural machinery. Our producers could, therefore, afford to pay the cost of protection and enrich the manufacturer and still not suffer thereby, because no nation in the world with their cheapest labor, the most miserably paid labor, could compete with our producers of agricultural staples because they had almost exclusive use of these agricultural machines, and which gave them a world advantage.

WHERE ENGLAND STEPPED IN.

England's policy, however, has changed all this to our detriment. England being a free-trade nation, desired the factors which would give her the commercial supremacy of the world, and these factors consist in two things—cheap food and cheap raw material. If she could obtain cheap food and cheap raw material, she had the key to the lock that would give her the commercial supremacy of the world, and this she started out to get; and when she succeeded, as she has now, it has a most powerful effect upon the commercial future of this nation. And while we seem to be in hard times now, we have only had a trifling taste of what is coming, if this same condition should prevail, or if the same conditions are to continue to accentuate themselves.

England introduced these labor-saving machines on her immense domains in India, and in Egypt and Argentine Republic, and finally Russia followed suit. The result is that these machines which have preserved this equilibrium heretofore between manufacture and labor in our country, having been now placed in the hands of the cheapest labor countries of the world, has destroyed the equilibrium.

That staple agriculture has declined to the present world's rate of about one-half or less its former rates is the cause of economic disturbance. I do not think you can dispute that, because it is clear and plain to all thinking people.

THE INEVITABLE OUTCOME.

Now, if these prices continue to prevail, what must take place? The producer of agricultural staples, the independent land-owning farmer, will be eliminated from the land. He must surely be eliminated from his holding, because it is utterly impossible for him to sell his product at one-half the price formerly received and keep on paying the old prices that he formerly paid. It is true that manufactures have declined, too, but only a very little as compared with the staples of agriculture, and in proportion as the decline in agriculture has been so very heavy, the tariff is that much the greater burden than it was before, for, in proportion as the tariff rate remains and protects, it makes the wider gap between the price of the product and the tariff wall. So, all the Wilson bills that you could devise, if they are after the pattern that have been passed, are absolutely worthless to effect a remedy.

WHAT IS THE TRUE REMEDY?

Now, what is the measure, the remedy now proposed? It is to either force the protected industries down to the level of unprotected agriculture by free trade, or we have got to force agriculture up to the level of the protected industries by protection. We must do one or the other in order to maintain the equilibrium. We have now got to really protect staple agriculture, even if it never was protected before.

Let us now look into the face of a Californian who takes a pride in his State, who claims to be a statesman representing his constituents, who, assuming now that he

is not able to deny what has been set forth here, will still take the stand for a measure of legislation of a one-sided protection as now in operation and denounce this proposition. That man would be as base a traitor to the State of California, and to its best interests, and to the best interests of the United States, as any rebel was in the time of the war. He would have no right to this floor, because he would be arguing against the best interests of this State.

It is not in our interest to preserve a one-sided, unjust, tyrannical system of protection which robs this State of millions of dollars, and robs the South and the West of hundreds of millions of dollars—yes, running up to the billions. This is not justice; it is not fair. You have only to prove that what I have set forth here is false, then proceed on with our present one-sided protection system. But, if you can not prove what has been set forth here is false, if these things are true, and you still refuse to make just the unjust, then you are false to our State's true and best interests. To dodge the question by citing precedent, by saying, "What was good enough last year is good enough now," the time will come when such may be left out in the cold by their constituencies. Such are not the kind of men that will be sent to the legislature in the future, mark my words.

Let me tell you now that this proposition is not the work of one man; it was the work of one man, but is so no longer. About an hour ago I received a dispatch from Hon. J. H. Brigham, master of the National Grange of the United States, representing the most conservative body of farmers of this nation. This man telegraphed me that he has petitioned the Congressmen—and I think his voice will be heard—to publish the hearings on this proposition before Congress and send them to the members of the Grange throughout the United States. These members number by the hundred thousands, and compose the most conservative and influential body of farmers in the United States, and perhaps in the world.

NO LONGER A ONE-MAN IDEA.

Right here I will read a statement of Leonard Rhone, who is the master of the Pennsylvania State Grange, representing 50,000 farmers. He is also the chairman of the executive committee of the National Grange. When this matter came before Congress he appeared, and what he said is contained in these proceedings perfectly plain. What does he say with regard to this proposition that I am talking of? Let us see whether this is the idea of one man or whether it is the idea of the agricultural interests of the State of California and of the entire United States.

"Mr. SIBLEY (that is one of the Congressmen asking a question). I would like Mr. Rhone to state here whom he represents.

"Mr. RHONE. I am master of the Pennsylvania State Grange and a member of the executive committee of the National Grange. * * *."

Here permit me to quote the first few paragraphs of his remarks:

"Mr. Chairman and gentlemen of the committee: The resolution before your committee calls for a remedy for the depressed condition of agriculture, and for the removal of the inequalities that exist in our country between the relative value of agricultural staples and manufactures as caused by legislation and the present policy of the Government. Learning that such a resolution had been introduced, and that a hearing would be had before your committee, I came here, under the direction of the National Grange, to listen, and, if called upon, to take part in the discussion. This question has been fully discussed by the National Grange, especially at its last convention at Springfield, Ill., and special attention was paid to a proposition presented by Mr. Lubin, of California, for a Government bounty on the exports of agricultural staples as a means of equalizing taxation and the relative values between staple agriculture and manufactures. * * * Mr. Lubin has, to my mind, properly traced many of the causes of agricultural depression to the efforts of England, and the remedy which he proposes, namely, a bounty on agricultural exports, is not a new proposition to me or to the National Grange. About four years ago the National Grange had this matter under consideration and reported favorably upon the same."

When we come to staple agriculture, it is impossible to build up its price by reason of factories alongside the ranch; the product, as soon as there is a surplus, will sell at the price at which it will bring in Liverpool, less the cost of transportion to Liverpool, even when it is consumed within a mile of where it was grown.

What will an export bounty do? This proposition declares the Government has a right in equity to assess the people justly for Government expenses, but if in addition to running the Government it desires to be a great father and become paternal, and if it desires to lift up wages and commodities by a tariff revenue when it collects this money, it should use it to lift up the wages and commodities of all the industries and not of one-half alone, because to increase the price of wages and commodities for one-half and not for the other half of the nation, is to compel the unprotected half to pay for the enhancement of the protected half, which is an injustice. Some of you gentlemen hear this probably for the first time to-night.

You are not done with it until you hear it many times more, and the pioneers in this great work—they will be remembered.

This proposition has been spoken of to a great many people, and it fell like water from a duck's back—no effect. But the pioneers are ready for it. There is one here, one there, and our great nation is built up from the few, and the rest are simply used to fill in.

QUESTION OF EQUITY.

In this proposition the question is one of equity. The Government has no right in equity to use a dollar of this one-sided protection money for Government expenses. If it desires to be paternal, to artificially enhance something, then it must raise the other thing. How can this be done? It raises manufactures by having this protection wall, and the duty or fines drop into the box. Why can not the same enhancement be had for staple agriculture? Why will this not work here as well as with manufactures? Because staple agriculture is an export and not an import. There are only two ways by which this protection wall will work for all American interests, and one is for us to annex England to the United States. Then this protection wall will work splendidly; we could then have the tariff on the other side for the wheat, corn, cotton, and tobacco, and also the tariff on this side for manufactures.

The other way is to take the moneys collected here as fines or duties and pay them out on the exports of agricultural staples in the form of bounties. What will the bounty do? Ten cents bounty on a bushel of wheat for export—what will be its effect? "Why," say some, "that is easy enough to tell. The speculator will get the 10 cents, and that is the end of it." This is not true. The speculator would get it if it were not for the tariff. But now the tariff is going to work. Twenty-five cents a bushel to bring in wheat, 10 cents a bushel to take it out. I am a miller, and our friend here is the export buyer who buys for Liverpool; he wants to make that 10 cents very badly, but it will cost 25 cents to get that wheat in over the tariff wall. We go to the fight in the wheat pit—it is worth as much to me as it is to him, and the result is that the product comes up to the world's price with the full measure of the bounty added.

DIFFERENCE BETWEEN AN EXPORT AND A PRODUCTION BOUNTY.

There is a distinction in bounties which I would like to make very plain. You have all heard of the bounty on sugar, which has been repealed recently. Now, the bounty on sugar is a bounty on production. That means every pound raised is given a bounty; but this is not true with the bounty on exports. A bounty on exports works this way: If this were to be a bounty on the production of agricultural staples, neither the United States, England, Ireland, France, and Germany put together would have money enough to pay the enhanced prices of these staples.

But the proposed bounty is not on production, but only on the quantity exported, which would enhance not alone the exports but the greater quantity consumed at home also.

THE EFFECT OF THE EXPORT BOUNTY.

Thus, if the Government would pay out a bounty of $20,000,000, it would bring the growers of all the wheat raised in the United States $60,000,000, provided that we export all of our wheat product. That is the ratio. In other words, if the entire production of wheat in this country is 600,000,000 bushels, and the exports are 200,000,000, a bounty of 10 cents per bushel would cost the Government $20,000,000. But the price of the whole 600,000,000 bushels would be raised 10 cents for each bushel, and the wheat growers of the country would receive $60,000,000 more than they would without the bounty. This is protection to staple agriculture such as is now extended to manufactures, but by a different method.

The question is, is that true? Until some five or six weeks ago I really and honestly believed I was the discoverer of this proposition. A short time ago William H. Mills, of San Francisco, wrote me a letter that he, a few years ago, had sent a letter to the late Senator Stanford, showing that it would be a splendid thing to extend the protective system to staple agriculture. Consequently I thought, surely, Mr. Mills had the priority. But, upon reading up Adam Smith, I found that the same principle advocated here was in operation in England long before Mr. Mills or I was born, and for the very same reason. Why? Because there was a time in the history of England when they had a surplus of what they call "corn." Then they had a high protective tariff on manufactures; they allowed no manufactures to come in except, as in our case, over a high tariff wall. What did they do? They realized that if they had simply protection to manufacture, and a surplus of agricultural products, and no protection to agriculture, that agricultural products would pay for the protection to manufacture—and they did not want that. So they took the money, or a portion of it, that came in by protection and paid it over as an

export bounty on agricultural staples, and protected agriculture and manufacture precisely the same as I am advocating now.

"Then," said Adam Smith, whom you all know was the first free trader, "this bounty on exports is bad; it is bad for two reasons. In the first place, it is a tax paid out by the Government on the export, and in the next place there is the proportional enhancement that takes place on the greater quantity for home use, which the people have to pay. This is what he objected to, and this is exactly what I am in favor of—the very point. Why? Because it will give staple agriculture the same measure of protection that is given to manufacture. Therefore, by this export bounty, justice will be done to both great interests. Anything less than that is injustice. Why should our agriculture bid against the world and our manufacture not?

A TYPICAL PROTECTION SPEECH.

The regulation protection speech, as I have heard it, runs about this way: "Fellow-citizens, our party stands for protection, protection to American industries against the competition of the pauper labor of the world," and there is generally applause.

Now, there is not a single word of truth in that; it is a lie. Why? "Is the necktie an American industry?" "Oh, yes." "And shoes?" "Oh, yes." "And hats?" "Oh, yes." "What about wheat?" "Well, I am busy, you need not bother me." "But I do want to bother you—what about cotton, tobacco, corn?" "Well, we protect them by a tariff." "But the tariff is useless on an export. You can not compel England to pay a higher price than she can buy the same export from Argentine simply because you have a tariff." "Well, it is protected, anyway." "That is not true."

Now, the question is: Will California sanction such a one-sided, unjust state of affairs? They say: What are you driving at? Do you want free trade? I say no. At this juncture free trade is a very pretty thing to read of; Cobden's literature is grand; he is original; it seems conclusive; but a new condition has arisen that would make free trade a menace and a danger at this period in our history. We come across items like this quite frequently. It was debated in the Ways and Means Committee of the House of Representatives at the last session, and it crops up now and then.

A NEW-WORLD ERA.

Here is an article from the Call, stating that a new departure was made in Japan. They came over to England and bought them first-class A1 cotton plants, with electric lights and all the appurtenances thereto, and they set them up in Japan. At first they made a few mistakes, but now they understand how to spin cotton. The average pay of a male spinner is 15 cents a day of twelve hours; women earn 6 cents a day. There is a recess of forty minutes for dinner, which is furnished for 1½ cents, taking the factories all around. Three women are employed to every man. The mills are highly profitable, and pay large dividends to their stockholders.

England and the United States used to sell cotton to Japan. There is another city in Japan where this thing has been going on; they opened out with 350 spindles in Osaka, and these 350 have now multiplied to 750,000. We are now living in a new era. The colored man who said "The sun do move" made a mistake; the world is moving, and we are living now in a very peculiar time. It is the dawn of something that will bring forth a new future, the new civilization, whatever it may be. Perhaps the world, as a whole, may be a gainer. But we must pass through a series of events that may be the most memorable in the history of humanity.

Our agricultural labor-saving machinery was taken from here to European factories, remodeled, and put into the hands of the cheapest labor countries of the world. In 1884 and 1888 I happened to be in Europe, and went through a number of great plants where they manufactured these machines. It never struck me as anything curious whether the plant was in Vienna, in Berlin, in Ohio, or Michigan, but after considerable thought the question came up, what are these machines there for? They were not sold to the United States; they were sold to these cheap labor countries, and if you get the statistics for 1893 you find $1,600,000 worth of agricultural machinery was sent from the United States to Argentine, and a much greater proportion was sent from England to the same country.

These machines in the hands of the labor of these cheap countries have made a terrific difference in our economic conditions here. What will be the conditions when manufacturing machinery also shall be placed in the hands of the cheap labor, over 41,000,000 in Japan alone, and so many more millions in China, and with absolutely no restriction whatever? Our labor must then come down to their level. This is not a question of meeting German, French, or English competition, but it is this new-world condition that free-trade England will meet pretty soon. After these cheap-labor countries have absorbed their own markets, they are going to the open gates of the world, and England will be met with the skill of the Japanese using machines.

This is one reason why I am not in favor of free trade. But, if we are to have protection, let us have it exactly as every honest protectionist believes it is to-day, and that is "protection to American industries against the cheapest labor countries of the world," so that the man who raises wheat, corn, cotton, tobacco, or other agricultural staples shall be protected against the cheap-labor countries of the world as well as the man that makes hats, neckties, shoes, and cutlery is protected from the world's competition.

THE RELATION OF THE FARMER TO THE NATION.

Now, can protection as it is, remain with safety? Absolutely, no. Why? Because, supposing the income of a farmer owning a strip of land has been, say $1,200 a year, but which at present prices is reduced to $600. He runs along with the same expenditures as he formerly did, and he is pulled off of the land the same as a stump is pulled out from the clearing. Who is this great farmer, and what purpose does he serve? I have heard men speak of this "blessed farmer," calling him "Nature's nobleman," and "horny-handed son of toil," and a lot more such rot as that. I do not see any more special merit in the farmer than in the shoemaker; and yet, the farmer is absolutely necessary to the perpetuity of this Republic. Why, the rapid-moving factor in the economic or political life of this nation is the city—the feverish stockbroker and the workingman and the lawyer, all up to high pressure, and they want this, and they want that, and they keep rushing along—and here comes the slow-poke out here on the farm. He is more slow and deliberate, because he talks to hogs or other animals, and he is very sluggish, and when this restless, feverish city man comes along and wants something done in a hurry it takes a long while to get the consent of this man of the farm; he slows up the speed; he is the governor of the body politic. But drive these off from the land into the city and you produce a new condition absolutely, and there is no power on earth to free us from the curse that will come upon this nation; and then the cities will run along madly; then things will not be safe; and then we will want more and more soldiers; by and by we will still call him a president, but he will be a king.

No man can deny that the present system of protection is unjust, and I defy any honest political economist, any honest man, any man capable of reasoning to refute it.

If the proposition that I advocate is just, would it not make a man from California shame-faced to continue advocating the present one-sided, unjust protective system—a protection that may benefit Massachusetts to the injury of California?

Supposing we have free trade; supposing it would be a long time before enterprising Americans would go to Japan and set up manufactures. At the rate, as has been stated in the San Francisco Call of the 12th instant, and which has been stated over and over again, where these new industries are being built up there is no power that can prevent Asoka and this other city here with a very big name (reading) from becoming the Manchester and Fall River combined, manufacturing for the world. There is absolutely no limit to it. The point of least resistance—the power to survive—is given to the Caucasian in so far as he is the inventor and user of the machine, but after his machine is invented and the fellow on the other side buys one and can operate it with just as much skill as the Caucasian, and when he has learned to trade, then the power to survive is with the cheapest labor. When Cobden wrote; when Adam Smith wrote and Cobden talked free trade, they did not have this new problem.

We have thought of the brown and yellow men as inferiors, as something where there was a wide dividing line. It may be a design of the Great Designer to tear the mask from off our face and say, "The brown and yellow man is my child as well as you," and "it is to be his time to be lifted up"—and in this general leveling we shall meet the world face to face, as we must ultimately meet it. It is a competition such as the competition against England, Germany, and France is not to be compared with. I would not like to see it come now; I would like to stave it off for some time to come. Why? Every year that our nation lives it becomes wiser and greater and better. In peaceful progress we may make strides that may not alone bless us, but bless the whole human race and get up to a condition of new inspiration, some new inventions whereby we probably would not fear competition, but which in now opening the floodgates is threatening to overwhelm us.

THE INTERESTS OF LABOR.

Let us see if it is in the interest of the workingman to maintain the tariff as it now is. There never was a time in the history of this nation when the workingman who is receiving his old pay and has a steady job—remember these two things—was better off. He receives his $2 a day; protection gives it to him; the labor union secures it to him. He receives his $2 to-day, but for it he demands 4 bushels of wheat, instead of the 2 that he formerly received. That is all right for the fellow who has the job. But what about the fellow who has not got the job?

Now, inasmuch as the price of the product has come down to half, the purchasing power of the great customer of manufactures has come down to half, and the result is that there seems to be a whole lot of these fellows out of a job. There are two things that prevent the lowering of wages—protection and the trades union. The result is a whole raft of men out of work, and these people have no money to buy. This labor must be out running around for a job which they can not find. It is all right for the fellow that has the job; but the question is, whether a system shall be perpetuated for the sake of the fellow that has the job, and for the sake of the fellow in Massachusetts, so that he may profit by this kind of protection.

WHY PRODUCE A SURPLUS?

One paper has said, in San Francisco, "Why, we have a very easy remedy for this thing. Don't you see, if the surplus is sent to England and England will pay no more for the surplus than she can buy it for from the cheapest labor countries of the world, then, because of this surplus being sold that way, all the rest for home consumption also sold that way, don't let us have a surplus; simply curtail down and produce something else, and then we will be all right." Well, that is a remedy. If we have no surplus this tariff wall is a fine thing. Then here is your wall for agriculture, and here is your wall for manufacture, and we have protection working to a charm. Here is protection to agriculture and protection to manufacture on equal terms.

Now, why can not we follow that out? Because it can not be done. It is absolutely impossible, and after this was shown to the same party who reasoned that way—and there was a great number besides—he was amused that he had not thought of it. You see, we buy from the world $800,000,000 worth of goods a year, consisting of tea, coffee, sugar, silk, gutta percha, medicines, a whole raft of things, manufactures, etc. We must pay for these. Now, there are besides a couple of hundred millions that we have to pay as interest on foreign loans. But we will take the imports alone. No nation in the world pays in gold and silver. This fundamental or elementary principle of economics I am addressing more to the younger people, and to some young ladies here, who have not made a study of economics. You, gentlemen, know these things to be true. No nation can pay in gold. If we had all the gold and silver in the world and we paid $800,000,000 away in a year in a few years we would not have a dollar. Our manufactures are not sold in foreign countries, except to a limited extent, because they are protected. The nations of the world know better than to buy protected neckties, or pocketbooks, or hats, when they can buy them from much cheaper labor countries. It is not because I say it, it is because the official figures say it. Now, if we curtail down and only produce what we need at home, what would we pay with? We would have no gold and silver; they do not want our manufactures. We would pay in notes. But the notes would become due, too, and we would have to pay them in gold. The only way we have paid up to date is in staple agricultural products.

Of the $834,000,000 paid in 1893, staple agriculture paid $615,382,986. Do you see it is pretty near the whole business? Now, if we did not have these staple agricultural products to pay with, we would have to pay in gold. That is the trouble.

This nation has a mighty question before it. It was enough for some empty-headed fellow to say the Government is issuing bonds, and the Government is doing this; why does the Government issue bonds and why don't they take a piece of leather and put a stamp on it and call it money? There is a plenty of that kind of rot. But the men at the helm of the Government, no matter whether they are Republicans or Democrats, have a great responsibility. Gold is vanishing. Why? Because we do not have enough staple agricultural products to pay for our imports.

If the gold keeps on going, some fine morning you will find every silver and paper dollar in the country will be worth no more than 50 cents, and this will be because there were not enough products for export. That is our dilemma at Washington. There was probably no time in the history of this nation when there were greater economic problems to solve than at the present time. Under free trade we would not be obliged to depend upon a surplus of agricultural staples to pay for our imports, for we should then be able to sell our manufactures to the world.

I trust at least one man in this audience to-night has got this matter clear. I wish it were possible for me to have spoken as some of the great orators that are gifted, to lay a method of economics or other subject in such a lucid way that it at once strikes conviction. But I know that the facts are as stated here. While a man may come out and talk to you with flowery tongue, and while he may wave his hand gracefully, and while he may explain things and set you to roaring and howling and stamping, I do not address the passions or the emotions; I do not address even the enthusiasm of the audience. I speak, perhaps, to one or two, and would to God that this one or these two were here, for this proposition I believe to be the solution of this great problem that may involve the destinies of this nation.

This nation has a great function to perform; it is yet a baby, and you and I are factors. I am appealing to the one or two great souls that will rise up to this new emancipation, to that new champion who will free staple agriculture from this great burden which it can no longer bear.

I would like the people of the State of California to watch whom we have here, statesmen or whoever they be. They are called upon to pass on this resolution. This is a memorial to Congress. California knocks at the door of Congress and asks justice and equity in protection. Let us see whether they will, without any inquiry, vote that down. Every word that has been said to-night has been taken down, and it will go to the people. I am talking to the people of the State of California, and the man who will stand here to-night and say that staple agriculture has justice will not dare to show his face to the voters of the State of California.

This is a measure for the aid of California. Rise! It is the call of a revolution, and it must go on, because it is in the name of justice, it is in the name of equity—the equity that we live for. Every star of our flag should be a star of justice and a star of equity, and as long as that flag stands for equity then we are a republic; if not, we are a mockery—a republic in name, but a despotism in reality.

Let us of the North, the South, the East, the West, and especially of the State of California, who have everything to gain by a righteous system of protection, unite to do away with the iniquity of an unjust and one-sided protection.

Leave was granted Mr. Wedderburn to file the following:

REPLY TO MR. BAKER

Mr. Chairman and gentlemen, at the hearing of December 15 last Mr. Baker said, "I would like to have these gentlemen who come before the committee to inform us upon proposed statutes say in definite terms what disadvantage the agriculturists are laboring under in the market which does not apply to the manufacturers."

In reply thereto I desire to say that, as compared with the manufacturer, the farmer labors under the following disadvantages:

First. The manufacturer under a protective tariff has a great advantage; under the recent law it reaches 38 per cent, and he is benefited thereby; while the farmer who produces staples for export can not be benefited by a tariff, no matter how high, because the price of his product is fixed at the world's central market in competition with the world's products.

Second. The manufacturer has a wall raised around his products so as to increase their price, which increase must be paid by the consumer, while the exporter of agricultural staples receives no more for his product than the world's price, generally less the cost of transportation to Liverpool.

Third. The manufacturer is protected not only by the tariff, but by the cost of transportation to the port of entry, and the profit on the tariff, as well as on the cost of the article and freight, which must be paid by the consumer. On the other hand, the consumer of agricultural staples receives the benefit of low prices caused by the world's competition, generally less the cost of transportation to the world's central market.

Fourth. The manufacturer has the home market reserved for his exclusive benefit to the extent of the world's price plus freight, plus tariff, plus profit on cost of freight and tariff; while the producer of agricultural staples on the other hand has no protection, and in entering the home market with his products is compelled to take the price set therefor at the world's central market, generally less the cost of transportation thereto.

Fifth. The protection afforded the manufacturer is said to be for the benefit of American industry and to protect American labor against the pauper labor of Europe, which labor receives 40 to 50 cents a day;

while the farmer is forced to enter the world's market and sell his produce at the world's price in competition with the cheapest and poorest paid labor under the sun, which is paid from 8 to 20 cents a day, who are now using, to produce their competitive crops, American protected manufactured machinery, on which a rebate when exported (in reality a bounty) is allowed of 99 per cent of the tariff collected on the materials of which they are made.

Therefore without regard to whether the system of protection is right or wrong, advantageous or a disadvantage to the greatest number, I believe I have answered Mr. Baker, and only desire to reassert the "proposition" presented by Mr. Lubin, which, simply stated, is this, that so long as protection exists that it should be just and bear equally upon all classes, and that its benefits should be made to accrue to agriculture as well as manufacture and labor.

MR. BAKER'S ANSWER.

Mr. BAKER. My original question was, "Are you not asking for something which has not been heretofore granted to the manufacturers?"

Mr. Wedderburn, in his paper just filed, has not touched this matter. As I have previously said, "Protection applies only to the home market, and you gentlemen are asking protection in the foreign market, which is a different proposition." The agricultural production is in excess of the home market, and the manufactured product is generally less than the home demand. The proposed bounty relates to a foreign market, the tariff to the home market.

Having thus stated the diverse conditions upon which those who have addressed the committee have endeavored to base their comparisons, I wish, before proceeding to a more specific consideration of their position, to record my denial of their fundamental assertion. I do not admit—on the contrary, I deny—that the agricultural condition is worse than that of manufacturing or of general business. The farmers have suffered from financial depression less than any other class of our people. Fewer of them have gone to bed at night cold and hungry than of any other class of our working people. The price of farm products is low, and little profit attends agricultural pursuits, but every farmer who raises home supplies is better off than the artisan or mechanic whose subsistence comes with each day's toil if the chance to work is taken away from him. A farm to cultivate, however low the price of farm products, is better than a workshop, mill, forge, or factory which is closed because there is no work to be done therein.

I will join heartily in any feasible and constitutional plan to improve farming conditions in our country, but I am no croaker—it is no part of my purpose or business to incite distrust or discontent or to assault other industries.

There is no section of our country where the temperate, industrious, and economical farmer may not reasonably support his family, educate his children, and save a competence for old age. Our plans should be constructive and not destructive.

Mr. Wedderburn and his associates seem to be unable or unwilling to get down to the plain facts in regard to their proposition. They start out with a denunciation of existing economic conditions rather than with an attempt to show that their plan is a proper, feasible, and constitutional proposition. They attempt to enforce their proposed bounty on "staple agricultural products" by an assault on the manufactures of the nation, instead of endeavoring to show how agriculture and

manufactures can each supplement and aid the other. In this, I think, they make a great mistake.

If our manufactures were destroyed, would that in any way improve the condition or aid agriculturists? No one will so assert. That agriculture is promoted, and that farm products are increased in price by the home market, which the manufacturing communities afford, no sensible person will deny. The increased price of farm lands in the vicinity of industrial centers is conclusive on that point. If the men, women, and children now employed in workshops and factories, and in the stores, counting houses and offices they necessitate, should be driven into agricultural pursuits by the discontinuance of our manufactures, the profits of agriculture would largely disappear. The experiment of aiding agriculture by destroying the tariff which preserves wages, furnishes a home market to the farmer for his products, and saves to our people the money they would otherwise send abroad, would be fatal to the very interests in whose behalf it has been threatened. It is also to be noted that if the farmers now raising the "small crops," not classed as staple products, had no home market in the manufacturing towns, they would raise those products and thus still further reduce their price by increasing the supply and diminishing the market, for as it is they also are purchasers of the staple products upon which the payment of a bounty, when exported, is suggested.

If I have correctly apprehended the plan proposed, it applies only to the staple products—say, wheat, corn, cotton, and tobacco—and that it is claimed that by the payment of a bounty on those products when exported the price of that portion of those products which is consumed at home would be raised to equal the export, or world's price, as they term it, plus the bounty paid. That being so, if the bounty paid should exceed the ocean freight, would it not be necessary to put a tariff on the staple products to prevent other nations—Egypt or Argentine, for instance—shipping them to us for our home consumption? If so, then an additional necessity for a tariff has been demonstrated by the proposed plan.

My questions at the prior hearings were for the purpose of showing that the conditions surrounding the proposed bounty and duties levied on imports are entirely dissimilar, and that they ought not to be compared or the one based upon the other. If the tariff is properly adjusted it will, so far as possible, protect agriculture equally with manufactures. All tariffs relate to imports, and so far as they are protective they concern the home market only. Hence the McKinley or the Wilson tariffs, so called, as fully protect agriculture as manufactures, if to an equal degree they preserve the home market for home production. Personally, I believe the home market should be preserved for each, so far as possible, and in so doing agriculture would probably receive the greater degree of protection. This, the gentlemen who have appeared before the committee have not willingly admitted. They have endeavored to build up a new and dissimilar policy by attacking and threatening to destroy a system which has existed from the foundation of the Government, and made those sections where it has had the best trial and exemplification the most prosperous.

Whatever merits or demerits the bounty proposed on the exportation of staple agricultural products may possess, its advocates should frankly admit that it is a new departure. The tariff is on imports. The bounty is on exports. The tariff applies to both agricultural and manufactured products. The proposed bounty is limited to certain agricultural exports. No bounty is proposed on manufactured exports.

The drawback allowed upon the materials which have once paid duty and which have entered into the composition of an exported manufactured product is granted solely because those materials have not entered into home consumption and therefore do not compete with similar articles manufactured in this country. This principle extends, or should extend, to all productions alike. Very few if any articles subject to duty are manufactured or produced in this country in quantities equal to the home consumption. The "staple agricultural products" are produced in large quantities beyond the needs of the home market. The one seeks protection to secure a supply equal to the home demand; the other a bounty upon the excess of the supply beyond such demand. It is evident therefore that there are no points in common between a protective tariff to increase home production and a bounty upon production already in excess of home consumption.

All these questions should be treated from a national and not an individual standpoint. A tariff, by producing and sustaining new industries, opens fields of usefulness to our citizens and renders our nation capable of sustaining itself in peace and in war. The proposed bounty would produce no new industries, or make our nation stronger at home or more respected abroad. It would benefit a class, but would not enlarge the production or defensive capacity of our country. The burden of proof is on its advocates and no disparagement of existing methods can prove its necessity or advisability. Only a part of our farmers would be benefited by the payment of the bounty. That large class of agriculturists not engaged in producing the "staples of export" would receive no aid. They would belong to the great majority who would pay but receive nothing. Under the tariff, the greater the home production the less the importation and duties paid, the more fierce the competition the less the price. Under the proposed bounty the greater the production and the greater the competition becomes, the larger the exportation and bounty paid, and the greater the burden upon the people.

Besides the objections already noted as to the attempt to compare dissimilar matters and to build up a proposition not upon its merits, but upon the demand that another system shall cease if this one is not adopted, there is a vital consideration not yet suggested. The wise men who planned our Government endeavored to obviate as many causes of disturbance as possible. They recognized that if any duty or tax could be laid on exports the productions of one section of the Union could be discriminated against or favored in such a way as to produce internal dissension and possibly break up the government they hoped to establish. They therefore limited the power of the nation in the matter of taxation by inserting in the Federal Constitution the provision "That no tax or duty shall be laid on articles exported from any State." This constitutional prohibition is very plain and its purpose obvious. Its intent was to prevent inequalities in national taxation. It was known that the several States would have dissimilar productions, and that a tax or duty on their exportation could be so laid as to discriminate against one section of the Union in favor of another.

Would not an equal discrimination result from the payment of a bounty on exports? It seems to me that just as great a danger lurks in the proposition to pay an export bounty as was prevented by the prohibition of the export tax or duty. There is no practical difference in the obtained result between the tax or duty which is unconstitutional and the proposed bounty, which was not included in terms in the prohibition, because no one at that time supposed anyone would

ever advocate such a proposition as the one now proposed here. While the constitutional prohibition does not in terms extend to the proposed bounty, yet the spirit and intent of it cover the one as completely as the other. The American people will not sanction by indirection that which they have prohibited by direct constitutional provision. It is by no means certain that the Supreme Court would not hold that the payment of the bounty proposed would come within the purview of the prohibition. Courts seldom permit to be done by indirection that which they would restrain if attempted in the usual way.

The absurdity of the export-bounty plan is well shown by the claim that the agriculturist is forced into competition "with the cheapest and poorest paid labor under the sun," and that the proposed bounty will satisfactorily change the present condition, whatever it may be.

It is impossible for the United States to change the industrial conditions of China, Japan, Egypt, Argentine, or India. That is self-evident. Bounty or no bounty, the pay of "the peon, the coolie, the ryot, the fellah, or monjik" will remain the same. The competition in the "world's markets" with the products of their labor, whether in agriculture or manufactures, will go on, and in the foreign markets we must, ex-necessitate, compete with those products or not compete at all. But in the "home market" the conditions are otherwise. Here we can preserve by proper legislation not only the price paid for labor, but the opportunity to labor. Patriotic immigration laws will prevent too great competition in employment, and similar tariff laws will keep the home market for our own people.

The true remedy lies in the employment of so many people in the other industries as to use the agricultural products of our people among ourselves. Then we shall secure prosperity for both agriculture and manufactures, labor will be permanently employed and well paid, every industry will be promoted, our currency will be regulated without reference to the money centers of Europe, our people will be contented and happy, and the American nation self-sustaining and honored as never before among the nations.

FOURTH DAY.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Wednesday, February 20, 1895.

The committee met at 11 a. m., Hon. William H. Hatch in the chair.

The CHAIRMAN. The committee will hear first this morning a statement in relation to the matter which we have had under consideration, a resolution of the House introduced by myself at the request of Mr. Lubin, of California, who, with several others, has been heard in regard to this question. We have not concluded the hearings, and I will now introduce to the committee Mr. Mortimer Whitehead, who has been, but is not at present, the grand lecturer of the National Grange of the United States.

STATEMENT OF MR. MORTIMER WHITEHEAD.

Mr. Chairman and gentlemen of the committee, I am pleased to have an opportunity of appearing before you in the interest of a most important class, the farmers of our country, and I regret that owing to my

absence from home and from my office (having been out for seven weeks), visiting the farmers in various parts of the country, I have not been able to prepare such facts and figures in detail as I would like to present at this time; but I will provide such later, and add them to what I have to say to-day. (See Addenda.)

The CHAIRMAN. The committee will be glad, after the stenographer transcribes the notes of your remarks, to have you add anything you please to your address. That courtesy has been extended to all who have appeared before the committee.

Mr. WHITEHEAD. Of course I do not expect to add anything except what would properly belong to the subject and in support of the ideas I shall present at this time. It has been my privilege for over twenty years to be closely connected with the farmers of our country. Within five years I have visited them in their homes in every State in the Union except three, and I think, owing to my opportunities in this direction, that I know something as to the present depressed condition of agriculture, and I think I also express the views of the great majority of the farmers of the country without regard to party and without respect to sectional or State lines.

There is one encouraging feature which I might mention, and that is that every time the sun goes down more people are finding out the real and true cause of our depression. As a farmer "down East" lately said to me in his quaint language, "You can 'bile' a potato, but you can't 'unbile' it."

I understand that the matter of Mr. Lubin is specially before the committee.

The CHAIRMAN. The resolution covers the entire ground of the cause of the depression of prices in agricultural products. Mr. Lubin's proposition is embodied in the resolution, and he has been heard at length in support of it.

Mr. WHITEHEAD. That then opens up the whole subject and gives one a broad field. That we have a serious depression in agriculture no one can deny, and it extends to all other industries and to nearly all kinds of business, and it exists in other countries of the world. (See Addendum A.)

I am not one of those who believe that things come by chance. There is a cause for every effect. The same cause that has produced the effect in this country has produced it in other countries. A fire will produce a smoke on this as well as upon the other side of the Atlantic. Millions of farmers, workingmen, and business men in Great Britain, Germany, and Italy are suffering as we are here, and I believe from the same cause.

Many of the causes and remedies proposed for the present condition of affairs I believe to come from quack doctors and that their nostrums are quack medicines. I will mention a few only:

PARTIES AND PARTY LAWS.

(1) Because the Democratic party has been in power for nearly four years.

(2) Because the Republican party was in power for twenty-five years.

(3) Because we have had the McKinley Republican tariff law for four years.

(4) Because we have had the Wilson-Gorman tariff law for six months.

Any person who believes either one of these to be the real foundation cause of the trouble plows too shallow; we must dig deeper for the real

cause. What general effect can our political parties or our laws have upon the people of other countries?

We have Members of the United State Senate and of Congress representing all parties in perfect accord as to the cause and cure of our troubles; and others in all parties of exactly opposite views.

OVERPRODUCTION.

The assertion is frequently made that we have a depression in agriculture, and have hard times for the reason that we have overproduction. I believe we are every day seeing the fallacy of that argument. I listened a year ago to the governor of one of our great States, in which he said that we were producing too much of everything, and used the argument that the farmers were producing "too much wheat," and that that was the cause of the hard times and the low price of farm products.

We teach our little children, as our Savior himself taught us, upon bended knees to pray our Heavenly Father to "give us this day our daily bread," and when our Good Father answers our prayers and sends us plenty of bread, we fly in His face and say that the cause of our trouble is "too much wheat." He promised Noah that seed time and harvest should never fail. He gives us plenty, and yet we say it is God's fault. Rather let us say—

> What though the spicy breezes
> Blow soft o'er Ceylon's isle,
> Though every prospect pleases,
> And only man is vile.
>
> In vain, with lavish kindness,
> The gifts of God are strewn;
> The heathen in his blindness
> Bows down to wood and stone

No; it is not God's fault.

Down in Indiana County, Pa., one week ago yesterday, an officer of the Humane Society told me that he had been looking over the town in an effort to relieve the poor during the terrible storm, and that he had found one family of five with only one pair of shoes for all of them; and that it was customary for the one who went out to wear that pair of shoes. I suppose the reason for that was because there is an overproduction of shoes! We see our people daily going to soup houses and being fed on thin soup instead of the strong, nourishing wheat. When we consider this condition, it is idle to say we have an overproduction of wheat. When we see people at our public meetings wearing patched clothes that ought to have been consigned to the rag-bag months, perhaps years, ago, it is foolish to say that it is from an overproduction of wool or cloth. When in the papers every day we read of people who are freezing to death for want of fuel, it is idle to say that it is from an overproduction of coal or fuel. Statistics, which can not be denied, and which are the work of our own Government officials, show us that, not only in this country but throughout the world, the per capita amount of wheat raised is less than it was when the price of wheat was double what it is to-day. There are plenty of statistics of that kind which can be given to prove the statement.

NOT ALONE HIGH OR LOW TARIFF.

Our friends on the Republican side of the tariff argument, when they have appeared before the people to argue that question, have claimed that the trouble has been caused by Democratic tariff legislation, while

the Democrats, on the other hand, claim that it has been caused by Republican tariff legislation. In my opinion the cause is to be sought outside of either high or low tariff legislation. I think the effect of a tariff is comparatively small, considering the main cause.

Let us take the Republican argument first. Suppose we were to make a tariff wall sky high, so that not another shipload of foreign goods could enter any port of this country. And suppose we were to start our factories to making goods and fill every warehouse, every store, wholesale and retail, with those goods manufactured under a high tariff. What good would it do? Those goods would rot down, if the farmers and the workingmen have not a sufficient volume of money with which to purchase the goods.

Then take the other argument. Suppose that we had a low tariff, or that we had absolute free trade. Suppose we were to discharge all our custom-house clerks and abandon our custom-houses; load every foreign ship with manufactured goods and fill our wholesale and retail houses in our cities and towns with foreign goods. What good would that do? Those goods would rot down if the farmers and workingmen and the consumers of all goods could not find a sufficient volume of money with which to purchase them. I consider that a high or a low tariff alone will never help us out of this trouble.

FALSE ECONOMY.

Other causes which I might mention have been given as the reason for hard times.

I attended some farmers' institutes this very winter, and I have heard some gentlemen give the farmers and workingmen a sugar-coated pill. They gave the reason why the farmers and workingmen are suffering is that it is due to their own extravagance, and that they are spending too much money; that they ought to economize and live economically as our fathers and grandfathers lived before us; that if we did, there would be no reason to complain of hard times. I am not going to say anything against a proper, judicious economy, but there is such a thing as false economy, for the Good Book says, "There is that scattereth and yet increaseth; and there is that withholdeth, more than is meet, but it tendeth to poverty."

If we must go back to the lives of our fathers and grandfathers for this principle of economy and spend less money, why not go back to savagery? The Indian had very little worry as to the kind of house he lived in. He employed no mechanics; he never manufactured anything, nor gave a dollar to the church or to the preacher; he supported no schools or school-teachers, and was not called upon for public improvements. His wife never worried about the very latest fashion in bonnets. If that proposition is right, why not let us go back to barbarism and economize? If we did that, what would become of the manufacturers; what would become of our churches and schools, our ministers, mechanics, and laborers? The more civilized a nation is, the more need it has of material things. The more civilized a people are, the more money they will spend.

Every time we cut down the volume of money we cut down the price of the farmers' wheat or cotton. Every time we cut down wages we drive people that much closer toward savagery and pauperism. Every time we cut down wages or prices we make that much less money which the people give for churches, schools, books, newspapers, and many other accompaniments of civilization. That is my opinion. So that I

consider that this kind of economy is the wrong remedy, and that it is false economy that is being preached to us.

Most of the remedies proposed do not strike at the root of the evil. The first and foundation cause, I believe, of the depression in agriculture and other industries has been the unequal legislation for the past twenty-five or thirty years, and specially, and under all, the unequal financial legislation. (See Addenda B, C, and D.) In saying this I take a broad field, and I include the world. I believe the same cause has produced the same effect in England, Germany, Italy, and other countries. The unequal legislation to which I have referred includes all the rest of the world, and it has been unequal financial legislation during this time—legislation in the interest of comparatively few people as against the best interests of the many; legislation that has appreciated the value of our money, and the money of other countries of the world, and which has put us upon a gold basis. This legislation has had the effect to appreciate the purchasing power of the unit of money, which, of course, has depreciated the value of the products of labor which are exchanged for money. (See Addendum E.)

This, Mr. Chairman, is the cause of our trouble, and that is to-day making the country of a few very rich and the masses poor, robbing us of our homes and making us a nation of tenant farmers. We have more tenant farmers at this time than all England, Scotland, and Ireland together. A great State like Illinois has at this time 85,344 tenant farmers; Georgia has 62,000 tenant farmers, and so on I might read through the whole list of States. (See Addendum F.)

As I said, I was last week in Indiana County, Pa., lecturing, and at this time there are 86 farm properties advertised to be sold by foreclosure sale. In Williams County, Ohio, last year, I noticed that 88 pieces of farm property were at that time going through foreclosure proceedings under the hands of the sheriff. It used to be said that the farmer never failed. Every foreclosure sale is a failure of a farmer just as much as the failure of a business man when he goes into bankruptcy or makes an assignment. We are losing the homes of the country through conditions which so many millions of our people now believe have been brought about by the contraction of the volume of money. Money is the lifeblood of commerce, and the lifeblood of all industries, whether farm, shop, factory, or anything else.

I speak of Pennsylvania because I have just come from there. The secretary of the State board of agriculture says that within ten years the value of the farms in Pennsylvania has shrunken to the amount of $53,000,000; and that in twenty years the farms in Pennsylvania have shrunken $152,000,000 in value. That shows that they have that much less capital than they had twenty years ago, notwithstanding they added many new farms by getting out the stumps and rocks, and have had the benefits of education and farmers' organizations and are better farmers than they formerly were. And yet if all the farmers of that State had quit work, or had died twenty years ago, they would have left their heirs $152,000,000 more farm property than they would if they were to die to-day. That is true of every State in this Union.

Mr. FUNK. Do you think that that applies to the State of Illinois?

Mr. WHITEHEAD. I do, most assuredly.

Mr. WILLIAMS. Statistics will show it.

Mr. FUNK. Then I think the statistics are wrong.

Mr. WILLIAMS. The census shows it. It shows that there has been an increase of personal property in comparison with farms in the State of Illinois which is startling.

Mr. WHITEHEAD. I am sorry I have not the figures for Illinois.

M. FUNK. I think the farmers of Illinois have never been as well off as they are to-day. The land there is worth from $100 to $120 an acre.

Mr. WHITEHEAD. I have attended some large meetings in Illinois this year and the farmers did not so express themselves to me.

Mr. FUNK. What I say is true.

Mr. WHITEHEAD. I am giving the census figures. The census shows that in the State of Ohio farm property has shrunk in value in ten years $115,000,000.

Mr. HAINER. I suggest to you that the figures on which you predicate your remarks are misleading. The basis of value has changed, so that the figures upon which you base your argument are only one-fourth what they ought to be.

Mr. WILLIAMS. It always was that way.

Mr. WHITEHEAD. Then I will carry that argument along in a little different line. The Government figures show that while the State of Pennsylvania has had this vast decrease in the value of its farms, at the same time other species of property in Pennsylvania have greatly increased in value—have increased faster than ever before in the history of the State. The property is still in the State. The New York Tribune, which ought to be good authority, has said that in the city of Philadelphia alone, at this time, there are 750 millionaires. Thirty years ago, before farm property had gone down to where it is now, there were but few millionaires in that city. When I was a boy there was only one, and he was dead—Stephen Girard.

The State of Ohio never was richer than it is to-day. The percentage of wealth has increased immensely in a few years. The wealth in the whole country has increased over $20,000,000,000, as shown by the United States census. That wealth, however, is not in the hands of the people. It is being absorbed, and by legislation is being taken out of the hands of the people and goes to a few. It is fulfilling the scriptural injunction "For he that hath to him shall be given; and he that hath not, from him shall be taken even that which he hath." The wealth of the country is being taken out of the hands of the mass of the people faster than it ever was at any time in the history of the country.

The person who bought a farm in the usual way when we had plenty of money, has been injured by iniquitous financial legislation, but the man who had dollars has had the value of his dollars vastly increased.

PERSONAL EXPERIENCE.

If you will permit me, I will give you a little personal experience. I do not base my opinion on theories, or upon any person's say so, or upon hearsay, but I base it upon my own heart, because I went through the experience. It was a matter with me of holding the home which I own.

Patrick Henry said: "I have but one light by which my feet are guided, and that is the light of experience." Go to the more than nine million mortgaged homes of our land. Go read of the tens of thousands of farms and homes sold in single States in a single year at sheriffs' sales. Go to insane asylums. Go to graves filled with broken-hearted men and women. See the tears of the widows and hear the cries of the orphans. Talk with millions of freemen who bought farms and homes in good faith, going in debt for a part, with gold and silver as money and prices of products good, and then compelled to pay with scarce money and dear money. Ask of these their "experience." If they can not all speak they can think and feel, and they do feel it, for

the iron has entered into their hearts, and it is a heart question in tens of thousands of once happy rural homes to-day, and for them I speak.

An opera manager went to Europe some years ago and brought over a new prima donna, a sweet singer, who made her debut amid the plaudits of listening thousands. Next morning some of his friends were congratulating that manager upon the grand success of his new venture. "Yes," he replied, "she sings well, but she will never be a perfect singer until some one falls in love with her and breaks her heart." Hard words these, but what was his meaning? It was that as she had to sing of love in the love songs of the operas, that her songs were only those of the lips, but if some should break her heart, then she could feel what she sung; then hers would be heart music, the music of the soul.

On a million farms to-day in our country our fellow-citizens can speak with words right from the heart; words that they feel on the great crime of 1873. For crime it was. Our great Lincoln so called it when it was foreshadowed in other legislation before he died. He said: "If a Government contracts a debt with a certain amount of money in circulation and then contracts the money volume before the debt is paid, it is the most heinous crime a Government could commit against a people." I will give you a little of one farmer's "experience," a little heart music that I learned, and yet I have not been quite "heart-broken" as with tens of thousands of other farmers, for no sheriff has ever entered upon my farm, and probably now none ever will, to demand Shylock's "pound of flesh," as "nominated in the bond." Just at the close of the war, in August, 1865, I purchased the farm I still own and till. Its price was $9,000. With my savings and help from my father I could only pay one-half the purchase price, and so went into debt to the amount of $4,500, much against my father's wishes; but I was young and full of hope and ambition to own a good farm, and I argued that if a good farm would not pay the interest on one-half its cost, why put good money into it that would earn interest elsewhere without work. I married soon after and went to work. Now, if anything in this world will make a young man work it is a good wife and a mortgage. My books will show that I sold my first hay crop at $32 per ton as fast as I could cart it to market in a city of 20,000 inhabitants, only 4 miles distant I sold my first wheat from 17½ acres at $2.55 per bushel, and carted it 1 mile; my first corn at $1.75 per bushel; my butter at 65 cents per pound; eggs, 40 cents per dozen; dressed pork, over 1,000 pounds, 19½ cents per pound, and so on through the list of products in "mixed farming."

Oh! how easy it was then to pay interest on that mortgage and a good slice of the principal each year. I thought that my father was real "slow" in his ideas about debt. And so wife and I bravely trod the pathway of life, the family growing larger as the years passed by, and the debt growing less, being paid in the money of contract. But a change came; the debt was not all gone; the sun still shone and the rain still fell. God gave the increase for honest, hard work and cheerful toil, but prices of all we sold were going down, down, down. In 1873 the crime of the ages against a free people had been committed, silver had been demonetized "in the dark," and like a thief in the night had entered the homes all o'er our happy, peaceful, prosperous country. I noted the change in prices of all we sold—everything was shrinking except the interest and what was left of that mortgage. Hay sold at $10 and $12 per ton, corn ran down as low as 48 cents and wheat to

76 cents per bushel, dressed pork 5½ cents per pound, and all this within sight (31 miles) of the electric lights of New York City and the best markets in the world. It took so much more work and toil—so much more crop to get a dollar. I was getting Patrick Henry's "experience." I was feeling it in my heart. And I learned my lesson. What was it? That by the demonetization of silver, striking down so large a portion of the money of the country and taking it from circulation, the same effect had been produced as raising a half crop of potatoes, wheat, or corn; it had made the other half worth a great deal more.

What else did I learn? I'll tell you, and prove it at the same time. When I sold corn at $1.50 per bushel (and I did sell it at first as high as $1.75), 1 bushel of that $1.50 corn would pay $1.50 of interest or principal of that debt. But when corn sold at 50 cents per bushel (and I did sell it as low as 48 cents) it took 3 bushels of corn (and the same with all other products) to get the same $1.50 I used to get with one bushel of corn. My debt was thus multiplied by three. Was that all I learned? No! I learned that the same $1.50 that I used to get for 1 bushel of corn, and that the holder of the mortgage could then use in buying 1 bushel of corn, would now buy 3 bushels of corn (at 50 cents each), and this is the lesson burned into my heart, that the same act demonetizing silver and contracting the money of the country that made me three times as poor made the holder of the mortgage three times as rich. It took three times the amount of my products to get the scarce and dear dollar. His scarce and dear dollar would buy for him three times as much. And it should not be forgotten by toilers and producers everywhere that this is the legislation that has robbed them of the fruits of their labors, has wrecked their hopes and their homes, and that it is the righteous cause in which we are now engaged, an irrepressible conflict that must be won or the homes of our country are gone forever, for—

> A bold yeomanry, their country's pride,
> When once destroyed can never be supplied.

(See Addendum G.)

THE PRESIDENT.

With your permission, I will take a case in point in the President's salary. Soon after the war some of the gentlemen here in Congress concluded that they ought to have better pay. There was an increase of salaries. President Grant was the first President to receive $50,000 a year. If President Grant had chosen to invest a year's salary in wheat, at the average price in this country at that time (before money contraction), his $50,000 would have purchased 20,000 bushels of wheat. If Mr. Cleveland had last year bought wheat with his $50,000, at 50 cents a bushel, his salary would have purchased 100,000 bushels of wheat, and should Mr. Cleveland now desire to buy wheat, using the statistics of the Department of Agriculture as the price, his salary this year would purchase 125,000 bushels of wheat. The same applies to cotton and all other products of the farm, because this policy causes an appreciation of the dollars in the hands of the few who have them, the possession of which makes the holder some five times richer and makes the producer five times poorer.

It is not necessary that I should take up the time of the committee further with these things, because they have been explained on the floor of the House and in the Senate several times. Similar causes have produced similar effects in other countries. As I have before stated, England is suffering from harder times among her farmers and

laboring people. German farmers and working people are suffering, if possible, just as hard. Italy has been compelled to call out the troops, who have shot the people down because they were dissatisfied with their high taxes without the means to pay, whereas France, which has a large amount of money (about one-fifth of the gold and silver of the world), which, with her paper money, gives her a per capita of $56, is, comparatively speaking, prosperous. We find the same condition in other countries.

LUBINISM OR EQUAL PROTECTION.

One word or two in regard to Mr. Lubin's proposition. I think, in the main, it is a good thing. I could not for a moment be opposed to Mr. Lubin's proposition. It is one which has been inculcated in me from my earliest boyhood, for, as one of the "sons of the Revolution," I was taught that in our country "one man is as good as another if he behaves himself." The Declaration of Independence says that God created all men free and equal. Thereupon our forefathers established our Constitution. The constitutions of nearly all the States also say that our citizens are all equal before the law; and if it is the policy of this Government to have a protective system it is the duty of the Government to make it bear alike upon all the citizens. If the manufacturer is to have a tariff on his goods in his market, then the farmer ought to have an export tariff on his product to protect him in his market, which is abroad, as foreign prices fix the price of our staples. The farmer ought to be put upon an equality with the manufacturer. Our market is the world, and if we protect the manufacturer in our home market we ought to be protected in the world's market. Therefore Mr. Lubin's idea is in accordance with the Constitution, which says that all citizens shall be equal before the law. I can not see why, in fairness, equity, and justice, the products of the farmer should be put upon the free list, such as wool and other so-called raw materials, and the goods made from wool, and so forth, should be protected by a tariff. It should be a tariff for all or a tariff for none. To that extent I heartily indorse Mr. Lubin's idea.

While Mr. Lubin's system will give us protection abroad, we ought not to forget that the greatest bounty is paid to our competitors and is given to the wheat and cotton raised in India, and to the wheat of Argentine. Why? Because they take the silver, depreciated more than one-half by our legislation, and go to those countries and pay it to them for that wheat or cotton, and which is equivalent to giving an export duty, bounty, or bonus on that wheat and cotton of over 50 per cent, because they get the advantage of the difference between silver and gold. They have that protection, and, where Mr. Lubin's plan would give 5 or 10 cents a bushel, we are permitting this other greater advantage. With wheat and cotton on a silver basis, it is a bounty or bonus of from three to five times more than the amount of this export bounty. Wheat may go to 20 cents a bushel and cotton 2 cents a pound if the money power can continue to contract the money volume. Europe, which produces no silver, and the Orient, which absorbs silver, both get the benefit, while America loses. The gold standard reduces by more than a thousand millions of dollars per year the selling value of American exports, of goods and grains and metals. This is the "export duty" we are losing.

Mr. SIBLEY. The bonus is the difference in coinage value of an ounce of silver at a given ratio.

Mr. WHITEHEAD. That is it exactly. That is what it amounts to at the present time. That is the bonus that other countries are given. Our market is destroyed, not by competition with other countries, not by competition alone with the ryots and other people who work for almost nothing the whole year round, but it is destroyed by giving them this bounty, or the difference between the prices of silver and gold in the markets of the world. I believe that to be the situation, so far as the farmers are concerned.

OTHER CAUSES.

There are other causes for agricultural depression. Contraction of the money, however, is the great question. These other questions are merely side issues, little switches on the main line. One of these side issues or contributing causes is unequal taxation. There is great discrimination against the agriculturist and the laborer.

For example, what justice is there that these hundreds of millions of dollars in Government bonds which have been issued since the war, during the last year, and which are being issued to-day, and which are the private property of individuals, their investments having the protection of the Government and yet pay no taxes, whereas every man who invests in a farm has to pay his share of the Government taxes, while this capitalist is not taxed? I can see no justice in it. A man can invest his entire money in Government bonds, move into a city or town, live in a fine house or hotel, where he has police and military protection, paved and lighted streets, send his children to free schools, and yet he and his family do not pay one penny toward the support of the Government; but every dollar thus exempted, or evaded, is shouldered upon the farmer and the consumer who has to bear this additional burden. Taxes are increased year by year, while the value of the farm is decreased.

Rates of interest are entirely out of proportion to the products of labor. Statistics show us that the average net profit produced by capital and labor in the industries, such as farming, etc., is only in the neighborhood of 3 per cent. We are paying an average of 6 per cent interest on all our indebtedness, and it is only a question of time when capital is going to absorb the profits of labor, and all labor now holds.

I consider that the oleomargarine question (which you have had before this committee) and that of other adulterated food products, as others of the causes of the farmers' trouble; this can be changed by proper legislation, and will when changed help to make the farmer prosperous.

The money question is the great one. The contraction of the money has reduced our wealth. In what I have said—I have spoken hastily, and will try to sustain my arguments by the addenda presented herewith, and there are many other proofs which I have not time to bring up; but if you will permit me, I would like to read a few words from Henry Clay as to what he said about contraction. I am a great admirer of Henry Clay. Mr. Clay said that he "would rather be right than be President." Some people to-day hardly dare speak what they believe to be right, others do not dare to vote what they believe to be the right. They fear that it might not be popular, or might injure them politically or otherwise. He made a speech in the United States Senate more than fifty years ago describing the condition of the country very much as we find it to-day. The President had recommended the policy of contraction, placing us on a "hard-money" basis, which then meant

gold and silver, for it meant the coinage of both. Both metals then meant "hard money." Now we are upon a gold basis, which, I fancy, is "harder" money. If they cut us down to a diamond basis I suppose it will be "hardest" money. Mr. Clay with his great eloquence protested against this policy of contraction. I will read a brief extract from his speech. If he had repeated this speech in the United States Senate on yesterday he need not have changed a single word in it. He would simply have changed the figures and put the millions a good deal larger than he did, otherwise the conditions are the same.

SPEECH OF HENRY CLAY.

The proposed substitution of an exclusive metallic currency for the mixed medium with which we have been so long familiar is forbidden by the principles of eternal justice. Assuming the currency of the country to consist of two-thirds paper and one-third specie, and assuming also that the money of a country, whatever may be its component parts, regulates all values and expresses the true amount which the debtor has to pay his creditor, the effect of the change upon that relation and upon the property of the country would be most ruinous. All property would be reduced in value to one-third of its present nominal amount, and every debtor would in effect have to pay three times as much as he had contracted for. The pressure of our foreign debt would be three times as great as it is, while about $600,000,000, which is the sum now probably due to the banks from the people, would be multiplied into $1,800,000,000.

Have gentlemen reflected upon the consequences of their system of depletion? I have already stated that the country is borne down by a weight of debt. If the currency be greatly diminished, as beyond all example it has been, how is this debt to be extinguished? Property, the resource on which the debtor relied for his payment, will decline in value, and it may happen that a man who honestly contracted debt on the faith of property which had a value at the time fully adequate to warrant the debt, will find himself stripped of all his property and his debt remain unextinguished. The gentleman from Pennsylvania (Mr. Buchanan) has put the case of two nations, in one of which the amount of its currency per capita shall be double what it is in the other, and, as he contends, the prices of all property will be double in the former nation what they are in the latter. If this be true of two nations, it must be equally true of one whose circulating medium is at one period double what it is at another. Now, as the friends of the bill argue, we have been, and yet are, in this inflated state; our currency has been double, or in something like that proportion, of what was necessary, and we must come down to the lowest standard. Do they not perceive that inevitable ruin to thousands must be the inevitable consequence? A man, for example, owning property to the value of $5,000 contracts a debt for $5,000. By the reduction of one-half of the currency of the country his property in effect becomes reduced to the value of $2,500. But his debt undergoes no corresponding reduction. He gives up all his property and remains still in debt $2,500. Thus this measure will operate on the debtor class of the nation—always the weaker class, and which for that reason most needs the protection of government.

But if the effect of this hard-money policy upon the debtor class be injurious, it is still more disastrous, if possible, to the laboring classes. Enterprise will be checked or stopped, employment will become difficult, and the poorer classes will be subjected to the greatest privations and distress.

And what is the remedy to be provided for this most unhappy state of the country? I have conversed freely with the members of the Philadelphia committee. They are real, practical workingmen, intelligent, well acquainted with the general condition, and with the sufferings of their particular community. No one who has not a heart of steel can listen to them without feeling the deepest sympathy for the privations and sufferings unnecessarily brought upon the laboring classes. Both the committee and the memorial declare that their reliance is exclusively on the legislative branch of the Government. Mr. President, it is with subdued feelings of the profoundest humility and mortification that I am compelled to say that, constituted as Congress now is, no relief will be afforded by it unless its members shall be enlightened and instructed by the people themselves.

[To the Vice-President.] To you, then, sir, in no unfriendly spirit, but with feelings softened and subdued by the deep distress which pervades every class of our countrymen, I make the appeal. By your official and personal relations with the President you maintain with him an intercourse which I neither enjoy nor covet. Go to him and tell him, without exaggeration, but in the language of truth and sincerity, the actual condition of his bleeding country. Tell him it is nearly ruined and

undone by the measures which he has been induced to put in operation. Tell him that his experiment is operating on the nation like the philosopher's experiment upon a convulsed animal in an exhausted receiver, and that it must expire in agony if he does not pause, give it free and sound circulation, and suffer the energies of the people to be revived and restored. Tell him that in a single city more than sixty bankruptcies, involving a loss of upwards of $15,000,000, have occurred. Tell him of the alarming decline in the value of all property, of the depreciation of all the products of industry, of the stagnation in every branch of business, and of the closing of numerous manufacturing establishments which a few short months ago were in active and flourishing operation. Depict to him, if you can find language to portray, the heartrending wretchedness of thousands of the working classes cast out of employment. Tell him of the tears of helpless widows no longer able to earn their bread, and of unclad and unfed orphans who have been driven by his policy out of the busy pursuit in which but yesterday they were gaining an honest livelihood.

I have said that this is not strictly a party question, and I have selected the printed speeches of able representatives of two of our parties, Hon. J. D. Cameron, United States Senator from Pennsylvania, and Hon. J. C. Sibley, member of the United States House of Representatives from the same State, to sustain my arguments as found in the addenda.

Mr. Sibley is an honorable member of this committee, and his speeches, with those of Mr. Cameron, have rung from one end of this country to the other. These same arguments have also been made by the representatives of another party. They have been brought out by our friends representing the People's Party, which at the last election cast upward of 2,000,000 votes, or more than the entire number which Abraham Lincoln received in 1860 when he was elected, a party that is now the first or second in twenty-two States of the Union. Some men of all parties see the situation. Every organization of farmers, mechanics, and laboring men have officially spoken, and with united voice, in asking for a larger volume of money as a remedy for existing evils. (See Addendum H.) As I have said, every time the sun goes down more men see the real cause of our trouble. The country will never be prosperous until we have a sufficient amount of money to do the business of the country.

The free coinage of silver and a large volume of money will revive farming, manufactures, and business by increasing the purchasing demand for goods and products of labor in the following ways:

(1) An increase in the volume of money will cause a rise in the price of goods and products of labor.

(2) A rise in the price of goods, products of the farm, and all products of labor will increase the purchasing power of the millions of farmers, business men, and laborers, also their debt-paying power, and of the value of their homes, stock in trade, etc.

(3) This increase in the purchasing power of these millions will increase the total purchasing demand for goods, products, and labor. Thus, with greater demand at higher prices, debts can be paid, more goods consumed, and thus more labor employed and business done.

I believe that "the American people must learn the lesson of money or they are lost."

I believe that our country is old enough and large enough to go it alone in this matter, without dictation or the rule of other nations. Our forefathers, over a hundred years ago, went it alone and against the world in setting up a republic. Let us now have American money for America, as all the other American Republics now have it, and welcome them all to our side, even the latest born little Republic of the islands of the Pacific, and then and now America against the world.

Mr. BAKER. Will you tell us what nation has more money per capita than America?

Mr. WHITEHEAD. France.

Mr. BAKER. Do you remember any other country?

Mr. WHITEHEAD. The silver-using countries have, if I understand it.

Mr. BAKER. Can you specify them?

Mr. WHITEHEAD. I have not got them at my fingers' ends, but I have mentioned France.

Mr. HAINER. You say that the condition of the people in France is prosperous. (See Addendum I.)

Mr. WHITEHEAD. Yes; I say comparatively speaking, as with gold-basis countries.

Mr. HAINER. And you also say that the trouble with the people here is that prices are low for farm products?

Mr. WHITEHEAD. Yes, sir.

Mr. HAINER. What is the difference between the price of farm products in this country and their price in France, or between the price in France and Germany?

Mr. WHITEHEAD. The principle which I wish to enunciate or make plain is that the price of those things which we sell, when the crime of 1873 was committed, were reduced, and therefore that reduced the purchasing power of our products.

Mr. BAKER. Is there any difference between the purchasing capacity of the dollar here and the dollar in France?

Mr. WHITEHEAD. Yes, sir. All history proves that governments which have plenty of money have been prosperous.

Mr. BAKER. Is not the general range of prices the same in the various countries of the world, irrespective of the amount of money in any country? Is not the range of prices the same in France and Germany while the amount of money in circulation changes?

Mr. SIBLEY. If the gentleman will let me answer the question for Mr. Whitehead, I will say that prices are fixed in the gold-using countries. Liverpool is the great market for wheat and cotton.

Mr. HAINER. Then the prices in France must be governed by the same influences.

Mr. WHITEHEAD. If cotton and wheat were the staples of France, then the contention of my friend would be a correct one.

Mr. HAINER. Or the price of anything else?

Mr. WILLIAMS. The principal product of France is champagne, but the price of champagne has not gone down.

Mr. HAINER. You have made some observations upon tenant farming, and the statistics on the subject. I wish to know whether or not many a man who has made a farm for himself, and has become comparatively well-to-do, has rented out his farm and moved to town. Many of these capitalists are really graduated farmers, and as a matter of fact a large number of people in the smaller towns of the country are people who have moved into town from the farms, which are rented out.

Mr. WHITEHEAD. Lord Sculley, who serves Queen Victoria, owns several hundred thousands of acres of land in Nebraska, Kansas, and Illinois, and has thousands of tenantry in this country.

Mr. HAINER. Do not beg the question. I know that what I have stated is true.

Mr. WHITEHEAD. There are cases of individuals, but we can not judge the whole by the cases of a few individuals. There are plenty of statistics to prove that the agricultural industry of our country is much depressed, and is growing worse and worse year by year. Illinois and Nebraska are no exceptions. Year after year representatives of different farmers' organizations in every part of the country have unhesita-

tingly passed resolutions and sent petitions to Congress, asking an increase in the money volume to at least $50 per capita to overcome the effect of the demonetization of silver in 1873. If the representatives of these bodies don't know what they are talking about, then I admit that I do not know what I am talking about.

Mr. ALEXANDER. Is it not a fact that the cause of people moving from the country to the town is that they can make more money in the town than they can in the country?

Mr. WHITEHEAD. Yes, sir; I recently talked to a gentleman in Clark County, Ohio, and he said to me: "I am losing my neighbors. My neighbors have been sold out by the sheriff, and now I am getting only ignorant foreigners and the lower class of people for neighbors. I have got to go to town, too."

Mr. FUNK. I would like to make a statement as to McLean County. I am a farmer myself, and I venture to say that nine out of ten of the farmers who have been closed out by the foreclosure of mortgages have suffered by reason of unfortunate speculations on the board of trade. That is the way farmers become bankrupt. If they would attend strictly to the legitimate business of farming they would not be in that condition to-day. That is the truth in reference to the farms in our country.

Mr. WHITEHEAD. I stated in the beginning that I have visited the homes of the farmers in this country for twenty-five years, and have visited every State in the Union except three. I have sat by their firesides in their homes, and I have yet to find the first farmer who acknowledged that he had ever been sold out by reason of unfortunate speculations on the board of trade.

Mr. FUNK. Of course he did not acknowledge it.

Mr. WHITEHEAD. There may be individual cases, but in the county of Indiana, Pennsylvania, 86 farms are to be sold out this spring, and they are working farmers.

Mr. BAKER. Do you know any farmer anywhere who owns a farm and who enjoys good health, who has not been making a living?

Mr. WHITEHEAD. If he works his family to death.

Mr. BAKER. Do you know of such men?

Mr. WHITEHEAD. Thousands of them.

ADDENDA TO REMARKS OF HON. MORTIMER WHITEHEAD, A TO I INCLUSIVE.

ADDENDUM A.

[Fifty-third Congress, third session, Senate Mis. Doc. No. 94. February 6, 1895, presented by Mr. Teller.]

A PAPER ON "THE REAL CAUSE OF AGRICULTURAL DISTRESS," BY MR. R. LACEY EVERETT, MEMBER OF PARLIAMENT, ENGLAND.

We all know that for sometime past farming in this country has been in a very bad way. Much of our land is not farmed near as well as it was, farmers not being able to find the money with which to pay wages. In most neighborhoods a good deal of land which was under the plow has been put down to grass. In some counties, as Essex, Hampshire, Wiltshire, etc., a good deal has been abandoned altogether, and the farmhouses, premises, and cottages are going to ruin. In many hundreds, if not thousands, of villages to-day cottages to which industrious, honest laborers once took home their brides, and in which they lived and brought up their families, may be seen standing empty, with windows broken or boarded up, and no prospect of finding new tenants. The laborers and their families who once lived in them have

been driven to the towns to increase the already too fierce competition for employment there.

The losses farmers have had to suffer may be counted by scores of millions of pounds, and those of the landlords by hundreds of millions. Numbers of farmers—many of them once well off—have lost all the savings of a lifetime, and are now bankrupt, broken-hearted, and ruined. Many of the landlords have had to reduce their establishments, and some are no longer able to live in their old homes, but have had to let them to strangers. Village tradesmen are finding their trade falling away; the incomes of the clergy and of the ministers of the dissenting chapels are drying up. Everywhere in the villages there is shrinkage and pinching.

Why is this?

Why are things so different from what they were a few years ago?

There may be several contributory causes—but the chief beyond all question is the fall in prices. Year by year, the produce of the farm has sold for less and less, thus reducing the income of the villages. If there is not the income from the land it of course can not be spent. The farmer suffers first, as he is the seller of most of the produce. From him the loss passes on to the other classes. There can be no real improvement in the state of our villages unless the fall of prices is stayed. Agriculture can not possibly revive while the returns of the cultivator of the soil get smaller each year.

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What the people should do now is therefore very plain. They should demand to have free coinage restored to them, and so an end put to the present artificial famine of money. Why should man's law, passed for the benefit of money lenders, deprive us of the free use of nature's treasure annually brought up out of the mines?

The root of the agricultural depression we are suffering under now is undoubtedly the fall in prices, the less and less money which we get for our produce. Let the supply of money become free again and it would very quickly become more plentiful, so that our produce and labor would buy more of it, just as they did years ago in Queen Elizabeth's reign, and since during the progress of the great gold discoveries in Queen Victoria's reign. It is as foolish to limit the supply of money as it would be to limit the supply of food or clothing or light or air. What everybody wants and what no one can do without ought to be quite free. Every silver coin and every gold coin which is in circulation is as a good angel to him that has it. Let us have as many of these good things as the yearly harvest of the mines and open mints will enable to be produced. Money is the very life of industry, of employment, and of production.

The people's blessings should be upon the head of him who helps to make money abundant, and their curses on him who artificially makes it scarce.

ADDENDUM B.

SPEECH OF HON. JOSEPH C. SIBLEY IN THE HOUSE OF REPRESENTATIVES, JUNE 19, 1894.

Gentlemen tell us that the evils under which the farmer rests to-day are the evils of overproduction. We have heard that old howl since away back in 1873. We have heard that the panic of 1873 was caused by overproduction. We have heard that cry raised year after year. I want to treat a little of the doctrine of overproduction, because the distinguished gentleman from New York [Mr. Warner] last evening made that one of his pleas; and I am going to give you not fancies but facts, and not facts that rest upon what some newspaper scribblers may for political effect publish, but from the highest American authorities.

The attention of those who cry overproduction as the cause of the ruling low prices is called to the following table, showing the production of cotton in the world for ten years and the export price for the same:

Year.	Bales.	Export price.
		Cents.
1883	9,409,000	10.8
1887	9,079,000	9.5
1888	9,134,000	9.8
1889	9,574,000	9.9
1890	9,969,000	10.1
1891	10,896,000	10.0
1892	11,059,000	8.7
1893	9,008,000	8.5

Understand, my friends from the South, that these tables are not the tables of production in the United States only; they give the production of the whole world. And I want to state that these tables, exhibiting the world's product of cotton, are not found in the Statistical Abstract; I could not get them there; I am indebted to private sources for my information upon this point. But I believe I have the very highest authority to be found in the limits of the United States, or of the world, upon all concerning cotton. I have the authority of Mr. I. W. Labouisse, president of the New Orleans Cotton Exchange, who came here to make an argument before our committee in opposition to this bill. His reputation on both continents is that of a man of the highest honor and the strictest integrity, or otherwise I would not give the figures, but I accept them as showing the volume of this business in all of the cotton exchanges of the world.

Now, if there was overproduction in 1893, let us see. The world's production of cotton in 1883 was 9,409,000 bales, while in 1893 it was 9,008,000 bales, a falling off in the ten years of 401,000 bales. In 1883 you received for your cotton crop 10.8 cents per pound, while in 1893 you received 8.5 cents per pound.

But you may say this was an exceptional year, and therefore I shall invite your attention to another year. Take the year 1887. The world produced then 9,079,000 bales of cotton, for which you received 9.5 cents per pound. In 1889 the total product of the world reached 9,574,000 bales, for which you received 9.9 cents. In 1891 the product was 10,896,000 bales, and the export price of it was 10 cents per pound, while in 1892, with a product of 11,059,000 bales, the export price was 8.7 per pound.

In 1893, with 9,008,000 bales—less cotton being produced, taking the whole world around, than was produced ten years before—the price was 8.5 cents as against 10.8 cents, and you know what the present price is—the price to-day being quoted at 7.8 or 7.7, I think, this morning in New York, and within three weeks as low as 6.83. And yet, Mr. Chairman, in view of these facts, whenever we speak of declining prices we are met with that old argument of "overproduction," and I suppose men will go from here onto the political platforms this fall and account for all the evils under which this Government is suffering with the same old hackneyed cry of "overproduction!"

But let us see the figures in the United States. The production of cotton in the United States in 1883 was 6,992,000 bales, while in 1893 it was 6,717,000 bales; less cotton produced in the United States, less cotton produced in the whole world, and yet steadily declining in value. These facts ought to set at rest the careless and malicious statements that the growers of cotton are reaping the reward of their own folly in overproducing. With America's cotton crop 2,321,000 bales short of that of 1892, and the world's crop 2,051,000 bales short, we see a lower price for the product than has been known for forty-seven years, and I believe the lowest price ever known in America.

I want to show you now the production of wheat, because that is where my friend from New York [Mr. Warner] is an authority. I have heard so much about the increase in the production of wheat that I think it is worth while to investigate that while we are investigating the overproduction of cotton. But before stopping to look up my figures on this question, just let me say this, that in 1879 the United States produced over 100,000,000 bushels more of wheat than it produced in 1893.

In 1880 we produced 103,000,000 bushels more of wheat than in 1883, and yet every year has shown a steadily decreasing value in the price of wheat. Will you claim that this is overproduction?

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Mr. Chairman, let the farmers complain of the evils of low prices and urge that their ruin is certain under existing conditions, and they are told at once, with an air of superior intellect, that they have no one but themselves to blame, because of the great excess of their products. During the sessions of the committee in the preparation of this bill an official of one of the world's greatest boards of trade stated that the reason of the great decline in the value of the farmers' products was from the opening up of the great wheat fields of the West; that it was a case of overproduction pure and simple, and that all attempts for irrigation should be discontinued and further development of unused agricultural lands be discouraged.

And yet the wheat production of the United States for the last two years was less than it was in the two years of 1879 and 1880; less than in the two years of 1882 and 1883, of 1883 and 1884, of 1886 and 1887, of 1890 and 1891, and the price of wheat was never so low as at present.

During 1891 and 1892, when the wheat crop was the largest ever known in America, the export price of wheat was greater than in any year since 1884.

In 1880 the farmers of the United States produced wheat to the amount of 498,549,868 bushels, valued at $474,201,850; in 1893 the amount was 395,131,725 bushels, valued at $213,171,381.

Here is a decrease in the quantity produced of 103,418,143 bushels, and a decrease in the value of the crop of $261,030,469.

In 1880 the farmers received $12.48 per acre for the crop, and $6.16 per acre in 1893. And with a world's wheat crop estimated at some 200,000,000 bushels short of a maximum yield, we see wheat selling at the lowest price ever known in its history.

But they talk about the great agricultural development of the world. In 1884 and 1885 the world's production of wheat was 2,263,000,000 bushels. In 1891 it was 2,185,000,000 bushels, a falling off of 78,000,000 bushels in the total crop, and yet the lowest price that the farmer has ever seen, known, or heard of was received for wheat in this country. In 1887 and 1888 the world's production of wheat was 2,267,000,000, or 82,000,000 bushels more than in 1891. I do not know how long gentlemen will stand on this floor and print, through the columns of the public press, this story about overproduction in the face and light of the facts.

Let me call your attention to the following statistics, showing the increase in the number of horses, milch cows, oxen, sheep, and swine in the United States for the last ten or twelve years, and the great decrease in the value of such animals, and let me ask you how long you think agriculture can exist under such conditions?

You can claim that the decrease in value comes from overproduction, but the increase of population has kept pace with production, if it has not exceeded it.

Of horses in the United States in 1884 there were 11,169,683, valued at $833,734,400; in 1894 there were 16,081,139, valued at $769,224,799; an increase in the number of horses of 4,811,456 and a decrease in their value of $64,509,601.

Of milch cows in the United States in 1884 there were 13,501,206, valued at $423,486,649; in 1894 there were 15,487,400, valued at $358,998,661, an increase in the number of milch cows of 1,986,194 and a decrease in the total valuation of $61,487,988.

Of oxen and other cattle the farmers and cattle owners of the United States owned, in 1884, 29,046,101, valued at $683,229,054; in 1894 there were 36,608,168, valued at $536,789,747. There were owned in the United States of oxen and other cattle 7,562,067 more than ten years before, and the total value of these cattle was $146,439,309 less than in 1884.

Of sheep owned in the United States in 1882 there were 45,016,224, valued at $106,595,954; in 1894 there were 45,048,017, valued at $89,186,110, an increase in the number of sheep of 31,793 and a decrease in the total value of $17,409,844.

Of swine owned in the United States there were, in 1883, 43,270,086, valued at $291,951,221; in 1894 there were 45,206,498, valued at $270,384,626, an increase in the number of swine of 1,936,412 and a decrease in the total value of $21,566,595.

In 1882 the farmers of the United States raised of bushels of corn 1,617,025,100, valued at $783,867,175; in 1893 the amount was 1,619,496,131, valued at $591,625,627, an increase in the crop of 2,471,031 bushels and a decrease in the value of $192,241,548, notwithstanding the increase in the population of the country in the past eleven years. In 1882 corn netted the farmer $11.94 per acre, and in 1893 $8.21 per acre.

Place these figures before your constituents and then tell them if you dare that overproduction is the cause of lower prices. Tell them that where in 1880 the United States produced 10 bushels of wheat for every inhabitant, in 1893 we produced only 6 bushels for every inhabitant, and then say the cause of lower prices is overproduction. Tell the planters of the cotton fields that where in 1883 they produced a bale of cotton for every nine persons, in 1893 they produced only a bale of cotton for every eleven persons, and then add that it is their own folly in overproducing that has caused their ruin. Tell your Western farmers that where in 1882 they produced 31 bushels of corn per capita, in 1893 they produced only 25 bushels per capita, but that it is their own lack of knowledge of economic problems in overstocking the market that has lowered the value of their product and makes it impossible for them to pay their debts.

Is it that we need less to wear? No; but that we go naked! Is it that we need less to eat? No; but that men hunger and starve, with the world's product of wheat diminishing, population increasing, prices falling, and overproduction claimed!

President E. B. Andrews, of Brown University, one of the delegates to the International Monetary Conference at Brussels, and one who perhaps has given more attention to this topic from the educational standpoint than any other living man, in a speech on the silver question made at Meadville, Pa., December 20, 1894, thus replied to certain interrogatories propounded by monometallists:

"With reference to the question of wheat I think the cause of the fall in the price is misconceived. The cause of the fall in wheat is not, in my judgment, to any extent set forth when you talk about the cheapening of cost of production and transportation. The great overplus market where prices are fixed is Liverpool, or, generally speaking, London. Before the price of silver had fallen a man from America or India or Argentina could trade with one just as well as another. But now silver is demonetized, and instead of the silver in a silver dollar being worth

the gold in a gold dollar it is worth in a little while only 90 cents in gold. The old amount of silver will buy just as much wheat in India as before, but the old amount of gold will get a great deal more silver than before. The seller from India is in condition to say to the buyer in London, Give me your whole trade and I will do 5 cents better than I did before, more or less. The American farmer has got to raise wheat and he has got to sell it. Therefore he is obliged to follow down the Indian merchant. And when silver goes down to 80 cents, the American has got to go down to 80 cents, and to 70 cents, and to 60 cents in turn. He has got to do it or starve. And that, ladies and gentlemen, is the philosophy of the low prices of wheat in the United States of America.

"If you will take the gold price list of wheat and compare it with the gold price list of silver bullion you will find that the wheat has followed the silver, as the shadow follows the man. I know that certain gentlemen have 'monkeyed' with that, some by taking very brief periods and particular months when the price of wheat might be for the time, for local reasons, going up or down a little; but generally, taking considerable periods, two or three or five year periods, you will find that most remarkable parallel. I consider it nonsense to talk of the cause of the fall in the price of wheat as the cheapening of the cost of production and transportation."

ADDENDUM C.

[Fifty-third Congress, second session, Senate Mis. Doc. No. 262.]

LETTER OF UNITED STATES SENATOR J. D. CAMERON TO NATIONAL REPUBLICAN LEAGUE, JUNE 11, 1894.

This is not a moment for stimulating bitterness or inflaming passions. We need all our powers of forbearance and self-control. Let us give credit to our opponents at least for good intentions, even though they give no credit to us. All Europe and all America are in trouble. Everyone admits that the world stands on the edge of revolution—social and political, but everyone shrinks from it. Neither North nor South, neither East nor West, neither capitalist nor laborer wishes to create caste or classes, or to spread misery, oppression, or violence. We all see danger before us. We all desire to avoid it. Our only dispute is about the path. To those of us who have had chiefly in mind the struggle between silver and gold that is the question which, for the moment, presses hardest. The single gold standard seems to us to be working ruin with violence that nothing can stand. If its influence is to continue for the future at the rate of its action during the twenty years since the gold standard took possession of the world, some generation, not very remote, will see in the broad continent of America only a half dozen overgrown cities keeping guard over a mass of capital and lending it out to a population of dependent laborers on the mortgage of their growing crops and unfinished handiwork. Such sights have been common enough in the world's history, but against it we all rebel. Rich and poor alike; Republicans, Democrats, Populists; labor and capital; railways, churches, and colleges—all alike, and all in solid good faith, shrink from such a future as that.

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A vast majority in all parties agree that the single gold standard has been, is, and will be, a national disaster of the worst kind. What is still more strange, almost the whole world sympathizes with us. Nine-tenths of mankind are hostile to the single gold standard. Our 70,000,000 people are unanimous against it. Most of the great European nations and their governments dislike it. South America rejects it. The whole of Asia knows only silver, and India, which contains five-sixths of all the subjects of the British Crown, is as hostile to it as ourselves. Yet the bankers of London have said that we must submit, and we have submitted.

So strange a spectacle has never been seen in our history. Argument, and even the compulsory proof brought by world-wide ruin, seems to be helpless against this astonishing power. What is the use of argument when we are all convinced, and when at least nine-tenths of the civilized and uncivilized world agree? England holds us to the single gold standard by the force of her capital alone, more despotically than she could hold us to her empire in 1776. The mere threat of her displeasure paralyzes mankind.

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The whole agricultural class, the whole class or classes of small proprietors, the farmers that make the bulk and sinew of our race; the artisan whose interests are bound up in the success of our manufactures; all these join hands with what is left of their old enemies, the landed aristocracy of Europe, to protest against a revolution made for the benefit of money lenders alone.

On the other hand, that revolution is more radical than any which has been accomplished by professed revolutionists. Had all the despotic governments that have existed in a thousand years united their intelligence to set class against class, to breed corruption, to stimulate violence, and to shatter the foundations of society, they could have invented no device more effective than this decree which, at one stroke, doubled the value of capital, destroyed the value of industry, and swept the small proprietor everywhere into bankruptcy.

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The task before us is to restore normal activity to our industry; to break down the barriers of sectionalism; to check the increasing tension between rich and poor; to relieve agriculture, and to save the small farmer and manufacturer—in a word, to smooth away the threatening dangers of social discontent.

HON. J. D. CAMERON, UNITED STATES SENATE, SEPTEMBER 25, 1893.

Mr. Cameron said:

Mr. President: The Senate will admit that I do not often occupy its time. Nothing but conviction that our action now is vital to the public interest forces me to speak to-day.

I shall begin by calling your closest attention, not to my own views, but to those of Mr. Gladstone, the prime minister of England, given officially by him in the House of Commons, on the 28th of last February, when the silver question was last debated. As far as I know, this is the latest and most formal, as well as most explicit, statement of the British Government on the subject:

"England," said Mr. Gladstone, "is the great creditor of the countries of the world; of that there can be no doubt whatever, and it is increasingly the great creditor of the countries of the world. I suppose there is not a year which passes over our heads which does not largely add to the mass of British investments abroad. I am almost afraid to estimate the total amount of the property which the United Kingdom holds beyond the limits of the United Kingdom; but of this I am well convinced, that it is not to be estimated by tens or hundreds of millions. One thousand millions probably would be an extremely low and inadequate estimate. Two thousand millions, or something even more than that, is very likely to be nearer the mark. I think, under these circumstances, it is rather a serious matter to ask this country to consider whether we are going to perform this supreme act of self-sacrifice."

I will not trouble you further with Mr. Gladstone's remarks, although he went on to develop his idea in terms even more forcible than those I have quoted. Senators can read the debate for themselves. I have no wish to excite angry feelings against anyone, whether abroad or at home, but you will observe that the "supreme act of self-sacrifice," which Mr. Gladstone considers to be contrary to the interests of England as the great creditor of the countries of the world, is the attempt to maintain or restore to silver the function of serving as money.

I am tempted to sit down and leave this speech of Mr. Gladstone to stand alone as the ground for the vote I shall give on the bill now before us. It is ground enough. To my mind it carries conviction as to the true course of an American; but everyone can not be expected to leap at once across a gap which represents a lifetime of my feelings and thoughts; and not one lifetime only, but fully two hundred years of American history. I trust the Senate will have patience with me if I explain what seems to me, and perhaps to them, self-evident. I want to carry with me their unanimous assent.

More than once in this debate we have heard the remark that the United States are the greatest country in the world. The sentiment is no doubt patriotic and honorable, although I am not sure that it is perfectly good taste; but if the fact is true, or if it is even partly true, I would like to ask Senators what our national greatness consists of. Some will say that it consists in the energy and numbers of our citizens; in their virtues, their intelligence, their education, their enlightenment; in the extent and resources of their territory, and its unrivaled variety of blessings; in its agriculture, its minerals, its rivers, and its lakes.

To all these titles to greatness I will add another. The chief claim of our nation to merit in the eyes of us who have a share in its government and in the eyes of every republican citizen, white or black, rich or poor, whose opinion we regard, is that from first to last, on all occasions and in every form, America has asserted the most emphatic possible negative to the policy and methods of the moneyed power of England. From the day when the Pilgrims founded Plymouth to the day when Penn founded Philadelphia; from the day when the tea was thrown into Boston Harbor to the day when Washington was inaugurated President; from the day when Jefferson imposed his embargo to the day when the civil war ended, and down to the day we passed the act now under discussion, the chief interest of our history in the eyes of America or Europe has been its successful protest against the ideas and

interests of the moneyed power of England, whether that power was for the moment embodied in church or king, in a landed aristocracy or in a trading monopoly.

On this point I imagine we are agreed. I will not argue it. You will all admit its truth, and I am in haste to show its force. You know that our statute books are crammed with legislation, all of which rests on direct negation of British principles and practices. Our form of government was itself devised on those lines. We have framed our entire administrative system, down to minute details, in the same spirit. We have fostered and protected the small landowner; we have protected manufactures; we have protected shipping; we have protected our citizens and seamen; we have, so far as we could, under any and all our party changes, even when we changed our methods, still preserved the radical policy which, whether under Federalist or Republican, Whig or Democrat, has always been to maintain a negative on what we thought and still think the mistakes of the money power of England.

I want to say nothing harsh or offensive, but here we are on delicate ground, and I must, in the least unpleasant way possible, explain why our people have so invariably followed this course. Americans are a sensible race, and far from vindictive or narrow. They have good reasons for all their acts, and especially for their fundamental principles. The reason for their attitude toward England is that, ever since America was discovered, England has been controlled by its moneyed interests; and all Americans, at all periods of their history, have believed that the moneyed interests of England were selfish, cruel, and aggressive, as well as sordid, to a degree that made them dangerous to all the world and fatal to the weak.

If this point is clear, I will for an instant revert to Mr. Gladstone's speech of February 28, in which he has laid down, in its most explicit form, officially, the policy of the moneyed interests of England, which was the same evening approved and adopted by a large majority of the House of Commons. England, he said, because it is increasingly the great creditor of the countries of the world, could not be expected to perform the supreme act of self-sacrifice implied in restoring silver to its function as money. That is clear, is it not? The official avowed policy of England is to prevent the restoration of silver to its function as money because the moneyed interests of England require, or think they require, a monometallic gold standard.

I have stated the case with great moderation, and have cast not a word of blame on Mr. Gladstone, who merely represents a policy which England has always followed and avowed. I hope that I have carried every Senator with me down to this point; and if so, I can not see how they can refuse to go with me in taking the next step. Any further measure which tends to discredit silver is, at least for the moment, a furtherance of the British policy; it tends to support the monometallic gold standard.

In voting against such a measure, I stand, therefore, on assured ground. The whole history of the American people for two hundred and fifty years, every precedent of every party in American politics, the entire mass of our legislation, every principle of our national polity support me. My vote needs no defense. If anyone is to offer explanation or excuse for his vote it is not I; it is the Senators who vote on the other side. The burden of proving their case rests on them.

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As for our foreign exchanges, they are automatic and will take care of themselves under any system. They have done so when we had no currency at all, when we had gold, when we had irredeemable paper, and when we had silver.

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My tariff friends may look on this prospect with equanimity, but I advise them to talk seriously with their constituents before acting, for the time may come when the mill owners and mill operatives will hold them responsible for any evils that may follow. For my part, I feel a deep sense of responsibility to my people. I do not want to see the time when what is now passing in England shall happen in Pennsylvania, and a hundred and fifty thousand miners starving for food after a strike which has already lasted two months shall unanimously vote to continue the strike even if they die for it, rather than consent to a reduction of their wages.

The British miners, half a million of them, are to be starved into accepting low wages in order that the British Government may enhance the value of the gold in which America pays the interest on her British debts. The process is one which I would gladly avoid. The British Government may prefer to shoot its miners, as it has lately done. I do not think that a Senator of the United States should legislate with a view to shooting his constituents.

ADDENDUM D.

HON. JOSEPH C. SIBLEY, IN THE HOUSE OF REPRESENTATIVES, JUNE 19, 1894.

Since 1873 what has been history? Disaster has followed disaster as upon the speed of the whirlwind. The conditions have grown more strained every moment, and are growing more and more so with each recurring year. Statesmen and patriots may well ponder this condition. You have had warnings all along the past which show the natural trend of such conditions. And now the people, the great producers of the world, come to you and ask for justice.

My farmer friend, when was it that you got $1.50 for your wheat, and when did you get 60 or 70 cents for your corn? In 1873 you received 1.18 cents per bushel, on an average, for wheat, and in 1873 your silver was demonetized. You planters and growers of cotton, tell me in what year was it that you received 23 cents a pound for your product? It was in 1873; but in that year we demonetized silver, and what happened? Why, we turned over the interests of the producers of this nation into the hands of British financiers. Let us look at it. Silver at that time was worth 129.29 cents per ounce; that was its coinage value. And at that time we had the grain markets and the cotton markets of the world; and in 1873 India exported only 735,000 bushels of wheat.

Now, there has never been a time in the history of India when silver has not been its money, and there has never been a time from the day when they commenced raising wheat down to the present hour that 1 ounce of silver did not measure the value of 1 bushel of wheat. It makes no difference what the value of the rupee is. The same number of rupees buy the same number of bushels of wheat all the time. But England could not afford to buy an ounce of silver at 129.29 and take it to India to measure the value of her wheat, so she took our wheat from us and paid us a little less, from 1.20 to 1.23 cents, in 1873.

In 1874 the shipments of wheat from India commenced. England bought her ounce of silver here at 110 cents, and she could take that to India and exchange it for a bushel of Indian wheat; and in five years after the demonetization of silver, India had increased her shipments from 735,000 bushels to 11,900,000 bushels.

In ten years, with the continuous depreciation in the value of silver, the shipments of Indian wheat had increased from 11,000,000 to 26,000,000 bushels. In fifteen years the shipments of Indian wheat to Europe had increased from 735,000 bushels in 1873 to 41,000,000 bushels, and last year she exported 59,000,000 bushels. The same ounce of silver England could not buy, to develop the grain markets of India, at less than 129 cents before this demonetization and hostile legislation, she now buys at 70 cents, and takes it to India and still gets the same bushel of wheat for it, as when silver was worth $1.10. We have played all these years into the hands of England against the prosperity of our own American wheat producers. And yet some gentlemen from the Mississippi Valley and from the great wheat-growing States come here and say that this metal must go lower still in order that their constituents may continue to feed the European nations at even a less price than they are able to command to-day.

Mr. Speaker, let us look at cotton, and see if the analogy does not hold true there also. They established cotton mills in India in 1863, and from that year down to 1874 they were never able to export one pound of cotton yarn; eleven years of attempts to introduce cotton-spinning in India, with abject failure as the result. But in 1874, one year after the demonetization of silver, they shipped 1,000,000 pounds of cotton yarn. The next year they shipped 5,000,000 pounds. With each decreasing quotation in the value of the ounce of silver bullion there was an increase in the export of cotton yarn from India. In 1889 it had gone up to 65,000,000 pounds.

In 1891, the last year for which I have been able to secure figures, the exports of cotton yarn from India amounted to 165,000,000 pounds; the same thing has been equally true of the exports of raw cotton. Mr. Speaker, I have observed that the prosperity of the farmers and the railroads went hand in hand, and are there no lessons that the managers and stockholders of railroads can learn from these conditions above described? Which is better for your corporations, to be able to earn money at the expense of Europe or to be able to borrow it from Europe at your own expense? Permit me to show the position of those in England who are so much opposed to bimetallism. At a meeting of the British and Colonial Chambers of Commerce, held in London in 1886, Sir Robert N. Fowler, a member of Parliament, a banker, and an ex-mayor of London, said "that the effect of the depreciation of silver must finally be the ruin of the wheat and cotton industries of America, and be the development of India as the chief wheat and cotton exporter of the world."

Russia, another silver nation, and the great competitor of America in the production of wheat, has also furnished to European nations her quota of wheat, paid for in the depreciated ounce of silver, that we by legislation have degraded and debased. Oh, I tell you, my friends, it is very fine to hear you talk here about a "degraded

and debased dollar," but I would rather have a degraded dollar than a degraded country—rather a debased coin than a debased people.

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If a man is poor to-day and has not got a start in the pathway of life that has led him out of the common level, if the farm prices are low the price of labor, his commodity, is low, and the low system of prices makes no beneficial difference. He can never lift himself from the fetters and the bondage of indebtedness. It means if once poor, forever poor; if once in debt, forever in debt. Low prices mean the eternal vassalage of the debtor. The vast majority to-day are debtors, and with declining prices they must forever toil and remain slaves. No country can ever be prosperous wherein the producers are miserable. Tell the hungry man that bread was never so cheap as it is to-day, yet that man starves because he has not the money for even cheap bread. It is a poor paradise that is founded upon human woe. Marvelous paradox—a nation growing richer and the masses poorer through a system of falling prices.

Low prices serve to accentuate the differences between classes and to build up an aristocracy in a country. Low prices have been the rule in all nations sinking into stagnation and decay, and you can not find a historian or a political economist who will state the contrary. They agree that falling prices have always brought misery into the world. Historians tell us that at the advent of the Savior there were about eighteen hundred millions of gold and silver in the whole world, and that through the depredations, the greed, the rapacity, and the cruelty of the rulers of Rome that sum gradually disappeared, until at the end of the fifth century there was less than three hundred millions of money of final redemption; and what followed? A thousand years which we term the Dark Ages. Arts perished, literature decayed, science became extinct, commerce dwindled, manhood dwarfed, music dumb, sculpture defaced, and paintings faded.

Ignorance was the common heritage; superstition swayed; cruelty had no check for her crimes, and religion dimly shone. Then, at the close of the fifteenth century Columbus sailed westward and discovered this new broad land, which is to stand for all time as an exemplar to other nations, of all that goes to promote the liberty and the happiness of the great bulk of the human race. Columbus discovered America, and he found here, what? Not merely the tobacco, the corn, and the products of the soil, but also the great mines of precious metals, and those who followed him dug and brought to Europe the treasures of Mexico, Potosi, and the other South American mines, and it was like the infusion of new blood into the veins of a dying man.

Into the veins and arteries of the Old World was poured that new lifeblood of commerce, and everything revived. History began to be written again, science flourished, the arts were reanimated, literature was refreshed, the great poets, Shakespeare and his contemporaries, wrote in that epoch. Again the poets of the world breathed their sweetest notes, the musician sang his sweetest song, and the whole world awaked to new activities and new industries, and we turn back to that period to-day and describe it as the Renaissance. It was in truth a new birth. All that new life came from an increase of the money of the world, and the consequent increase of activity and enterprise.

And to-day, with commerce developed and expanded, at the very hour when the legitimate demands of business call for more money of final account than all the gold and silver of the earth, we have deliberately denied to humanity more than one-half its source of prosperity. We have destroyed one of the means of human happiness, and misery must tread upon the heels of misery, scourge upon scourge, woe upon woe, until we do work meet for repentance. My friends, there never was anything that grew in the swamp of stagnation that ever helped the human soul.

ADDENDUM E.

AUTHORITIES UPON MONEY AND PRICE.

If the volume of currency were doubled, prices would be doubled.—*Mills.*

David Hume says:

"In every kingdom into which money begins to flow in greater abundance than formerly everything takes a new face, labor and industry gain new life, the merchant becomes more enterprising, the manufacturer becomes more diligent and skillful, and even the farmer follows his plow with greater alacrity and attention."

Adam Smith says:

"The quantity of goods or labor which a given quantity of gold or silver will exchange for depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made."

And Ricardo:

"That commodities rise or fall in price in proportion to the increase or diminution of money I assume as a fact that is incontrovertible."

The gold standard means money becoming scarcer and dear and prices low and lower all the time. In all the history of the world those conditions never did bring anything but disaster to the people—enriching the few, impoverishing the many—and they never will.

The United States Monetary Commission, in their report to Congress, March 2, 1887, said: "The true and only cause of the stagnation in industry and commerce now everywhere felt, is the fact everywhere existing of falling prices caused by a shrinkage in the volume of money."

Hon. Carroll D. Wright, Commissioner of Labor, in his report, says: "One of the chief positive causes which produce depressed periods is a fall of prices."

Falling prices are just what capitalists want, as it makes the purchasing power of their money greater and the purchasing power of wheat and pork less.

The Hon. James G. Blaine: "On the much-vexed and long-mooted question as to a bimetallic or monometallic standard, my own views are sufficiently indicated in the remarks I have made. I believe the struggle now going on in this country and in the other countries for a single gold standard would, if successful, produce widespread disaster in and throughout the commercial world. The destruction of silver as money and establishing gold as the sole unit of value must have a ruinous effect on all forms of property except those investments which yield a fixed return in money. These would be enormously enhanced in value and would gain a disproportionate and unfair advantage over every other species of property. If, as the most reliable statistics affirm, there are nearly $7,000,000,000 of coin or bullion in the world, very equally divided between gold and silver, it is impossible to strike silver out of existence as money without results which will prove distressing to millions and utterly disastrous to tens of thousands."

Uncle Jerry Rusk, on page 8, Agricultural Report of 1890, states, as Secretary of Agriculture, the effect that the enhancement in value of silver bullion following the passage of the Sherman Act had upon the prices of American wheat:

"The recent legislation looking to the restoration of the bimetallic standard of our currency, and the consequent enhancement of the value of silver, has unquestionably had much to do with the recent advance in the price of cereals. The same cause has advanced the price of wheat in Russia and India, and in the same degree reduced their power of competition. English gold was formerly exchanged for cheap silver, and wheat purchased with the cheaper metal was sold in Great Britain for gold. Much of this advantage is lost by the appreciation of silver in those countries. It is reasonable, therefore, to expect much higher prices for wheat than have been received in recent years."

SPEECH OF HON. J. C. SIBLEY, HOUSE OF REPRESENTATIVES, JANUARY 8, 1895.

Quoting from Mr. St. John, president of a New York City bank, who ably takes the side of silver, as follows:

"AGGREGATE OF MONEY DETERMINES PRICES.

"The aggregate of all money afloat and in bank in the United States is our true measure of normal value of commodities here. The aggregate of money of all nations trading internationally is the measure of normal value of all commodities consumed by all. Therefore, to enlarge the aggregate of money in the trading world is to raise normal prices of commodities everywhere. To enlarge the aggregate of money in the United States is to raise normal prices for home and internationally consumed commodities here. Per contra, to diminish the aggregate of money in the United States is to lower all normal prices here; and to diminish the world's aggregate of money is to lower all normal prices of internationally moving commodities in all the trading world."

Mr. Chairman, under the leave to print I shall quote, in addition to my own remarks of to-day, the full text of Mr. St. John's remarks before the Committee on Banking and Currency, because no great newspaper of the nation dares to let the statements of a plain, practical solution of the whole monetary question reach the eyes of the voters, knowing full well that as starving men would rush for bread in sight, so would the people seek the old paths of peace and plenty. As men from a burning building would flee for their lives, so would men tear down the flimsy barriers of party and punish those guilty of incendiarism.

I want to give you bankers something to think about. Your turn is coming next.

The small grist has been pretty well ground out between the upper and the nether millstone. I want to say to-day that the thinking men, the intelligent men of the world, are bimetallists. Two years ago you could denounce a man as a "crank" who dared to stand for what he believed to be the interests of his country, his duty to humanity, and his duty to his God. Pioneers in the cause of truth and reform must expect misrepresentation and vituperation.

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But the more this subject is investigated the more clearly does it appear that bimetallism is what the public good demands.

To-day the professors of Oxford and Cambridge, of Glasgow and of Edinburgh, of Vienna, of American universities, and of the universities of the world, say that bimetallism must be adopted if this enormous decline in values is to be arrested. In a paper read before the Society of Arts by J. Barr Robertson, and published at page 354 in Coinage Laws of the United States, a Government publication, you will find the statement which I am about to read, showing the effect of twenty years of hostile legislation:

"While it would take too much space to enter into details regarding the practical effects of this appreciation of gold, it will suffice to give some indication of the enormous injury it has inflicted, if it is stated that the transfer of wealth from the landed and propertied classes and from the mercantile, manufacturing, and producing classes generally in the United Kingdom, to the holders of securities, mortgages, annuities, etc., can not be less than £2,000,000,000, due solely to the appreciation of gold.

"It is already a question how much further the holders of securities are to receive the assistance of a continually contracting currency to enable them to go on absorbing further and further the wealth of the producing classes. If no other relief can be obtained it may be necessary to fix a commodity standard instead of a money standard for long-dated payments, as has been recommended by the principal economists of the last hundred years. Such a colossal unearned increment as has accrued to the holders of securities valued in gold during the last twenty years in Europe and the United States, amounting to not less than from £7,000,000,000 to £9,000,000,000, is entirely unparalleled in the history of the world, and all other public questions sink into utter insignificance compared with it."

Consider that statement for a moment; consider the enormous shrinkage in value and loss to production. Thirty-five to forty-five billion dollars! Such sums stagger the comprehension, appall the mind, and chill the heart. How utterly insignificant become all other questions until this absorption is arrested. This is humanity's problem for immediate solution.

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Nothing can more clearly show the effects of falling prices than the interest charges upon the indebtedness of the people of the Union, as exemplified by the following article from a weekly newspaper, to which my attention has been called:

"Mr. Walker, a Republican member of Congress from Massachusetts, says the people of the United States owe debts, public and private, to the amount of $32,000,000,000. Now, we take Mr. Walker as authority, because he, coming from a New England State and being a Republican, will not be accused of placing the figures too high.

"It is claimed by some that the rate of interest on this indebtedness will average 8 per cent per annum. But to be entirely safe and to be conservative, and for the purpose of giving to the public a bird's-eye view of their condition, we will place the rate at 6 per cent. Now, 6 per cent on $32,000,000,000 amounts to $1,920,000,000. In 1892 we raised 1,628,464,000 bushels of corn. At 40 cents per bushel we would have $651,385,600 as its total value.

"Our wheat crop the same year was 519,400,000 bushels. At an average of 80 cents per bushel we realized $415,592,000.

"Our oat crop was 661,037,000 bushels. At 25 cents per bushel we have $165,259,000.

"Our gold mines produced $33,000,000 and our silver mines $75,000,000. Now, let us add this together and see what the result will be:

Value of corn crop	$651, 385, 600
Value of wheat crop	415, 592, 000
Value of oat crop	165, 259, 000
Value of gold crop	33, 000, 000
Value of silver crop	75, 000, 000
Total	1, 340, 236, 600
Interest on debt	1, 920, 000, 000
Difference	579, 763, 400

"Thus you will see we are still in debt on interest $579,763,400. With these stubborn facts staring us in the face we are glad to exclaim, 'How long, O Lord, how long, will the people sleep!'"

Mr. Chairman, the cause at trial is that of creditor versus debtor; humanity versus selfishness; truth versus error—a free Government such as our fathers designed to found versus the rule of an organized plutocracy. Every great statesman and political economist of the last three hundred years has laid down as a political axiom that the values of property are determined by the volume of money proportionate to the volume of trade transactions. I shall quote in an appendix the declarations of many great thinkers upon this topic from the days of John Locke and Adam Smith down to the present moment, which, briefly condensed, may be summarized as follows:

Double the volume of money, you double the value of products.

Divide the volume of money, and you divide the value of products.

Divide the volume of money, you double the debt.

Double the volume of money and you divide the debt.

Nothing more clearly illustrates the increasing value of money than an example the force of which must be apparent to the dullest intellect. If a man had sold his farm for $30,000 in 1873 and buried his money deep into the earth or, as men do, placed it at interest at 6 per cent, in addition to his interest, with one-third of his $30,000 he can to-day repurchase the same farm. If this man has gained $20,000 and the interest on $30,000 for twenty years, then certainly the man who purchased the farm has lost $20,000 of his purchase money and the interest on $30,000. If a farmer had sold $10,000 worth of horses in 1874 he could purchase others, their equal to-day, for $2,000. If he had sold his beef cattle from off his farm for $6,000, he could buy back to-day an equal or greater weight of beef cattle for $2,000. Money has been magnified; sources and profits of industry have been minimized. If the man who sold the farm for $30,000 in 1873 had placed it at interest at 6 per cent it would amount to more than $100,000 in 1894 with interest annually added to principal. If the one man has gained through appreciation of money and interest more than $90,000 net, the man who purchased has certainly lost an equal sum. By vicious legislation money has been made a monarch, while industry and production have become beggars on the face of the earth.

ADDENDUM F.

Had the free coinage of silver and its legal-tender qualities not been destroyed, then our debt-paying currency would be double what it is now, as the amount of silver coin and bullion in the world is about equal to gold. To show some of the effects of a single gold standard, I will submit the following statistics.

Failures in the United States from 1864 to 1893.

Year.	Number.	Liabilities.	Year.	Number.	Liabilities.
1864	495	$579,000	1879	9,658	98,149,000
1865	520	17,625,000	1880	4,735	64,752,000
1866	632	47,333,000	1881	5,582	81,155,932
1867	2,780	96,666,000	1882	9,738	102,000,000
1868	2,708	63,694,000	1883	12,266	207,321,846
1869	2,799	75,054,000	1884	16,879	432,687,241
1870	3,551	88,242,000	1885	11,211	167,340,261
1871	2,945	85,252,000	1886	12,292	229,288,238
1872	4,069	121,036,000	1887	12,042	235,121,888
1873	5,283	228,499,000	1888	13,318	247,659,956
1874	5,830	155,239,000	1889	13,277	312,496,742
1875	7,740	201,000,000	1890	14,126	348,486,973
1876	9,092	192,117,000	1891	19,872	397,227,432
1877	8,872	190,669,000	1892	14,061	321,236,119
1878	10,488	234,483,132	1893	20,000	3,000,000,000

Value of farms and farm products.

Average size of a farm in the United States:

1870	acres	152
1880	do	133
1890	do	107

Average value per acre:

1870	$56.00
1880	46.00
1890	28.00

Average value of each farm:

1870	3,430.00
1880	2,428.00
1890	1,620.00

Value of average acre of wheat:

1867	23.05
1880	12.48
1892	8.25

Value of average acre of corn:

1867	18.87
1880	10.91
1892	9.09

Value of average acre of oats:

1868	16.05
1889	9.57
1892	7.73

Value of average acre of rye:

1867	18.24
1880	10.50
1888	7.07

Value of average acre of barley:

1867	20.00
1880	14.11
1888	12.57

Value of average acre of buckwheat:

1867	19.11
1880	10.55
1888	8.36

And here is the value and amount of total productions:

Year.	Bushels.	Acres.	Value.
1867	1,328,729,400	65,636,449	$1,284,037,300
1880	2,718,183,501	120,926,286	1,361,497,704
1890	3,209,642,300	146,281,000	1,320,255,398

It will be noticed that the price of wheat, together with all cereals, has been growing less each year. It will also be noticed that with more than twice the number of bushels of gross production upon nearly three times the number of acres of land that the money received for the products was very nearly the same.

Cotton, sheep, hogs, cattle, and horses have depreciated in the same proportion, while neither mortgages, interest, notes, taxes, nor the salaries of officials have decreased a particle. So you see it takes more than double the amount of the products of labor to pay obligations. And don't forget to tell those who tell you that "a dollar will buy more than it used to" that a dollar will not pay more of these burdens of debt taxes and salaries than it used to pay.

Here are some more figures about farm values, and they are official, coming from the census reports:

In 1860 the wealth was	$16,000,000,000
Of this the farmers were worth	7,000,000,000
In 1870 the wealth was	30,000,000,000
Of this the farmers were worth	11,000,000,000
In 1880 the wealth of the nation was	45,000,000,000
Of this the farmers were worth	12,000,000,000
In 1890 the wealth of the nation was	62,000,000,000
Of this the farmers were worth	15,000,000,000

From this $15,000,000,000 we must deduct the mortgages, $4,000,000,000. This leaves them worth $11,000,000,000 out of $62,000,000,000, while they represent 45 per cent of the population.

And as further proof let us study the following figures about families, homes, mortgages, and tenantry:

Total families in the United States	12,690,150
Number living on farms	4,500,000
Number living in homes other than tenants	8,190,125

Of the families on farms, 32 per cent are tenants.

Of the families living in other homes than farms, 63 per cent are tenants.

Of the farm-owning families, 30 per cent have their farms mortgaged.

Of the home-owning families, 29 per cent have their homes mortgaged.

Average amount of farm mortgage, $3,130; average amount of home mortgage, $1,130.

The above statement, reduced to numbers, is as follows:

Farm families who own no homes	1,444,000
Other families who own no homes	5,159,796
Total families who own no homes	6,599,795
Farm families who own mortgaged homes	752,760
Other families who own mortgaged homes	720,618
Total homeless and mortgaged families	8,073,174
Total families who own their homes free	4,617,976

Two-thirds of the families with mortgaged homes or none at all.

ADDENDUM G.

"THESE HARD TIMES," BY REV. J. C. ELLIOTT.

The farmer who has worked diligently since 1873, and has been thrifty and kept himself free from debt, and has been accumulating property every year, is worth less now than then. After years of diligent industry and successful toil there has been no gain. All his property appraised and sold to-day would not realize as much money as twenty years ago. The depreciation of value has been greater than the accretion of property.

The average size of a farm in the United States:

1870	acres	153
1880	do	133
1890	do	107

Average value per acre:

1870	$59.00
1880	46.00
1890	28.00

Average value of each farm:

1870	$3,430.00
1880	2,428.00
1890	1,630.00

The value in 1894 is at least 25 per cent less than in 1890.

The value of the farm is the farmer's capital, and from it he receives his income just as truly as bank stock is the capital of the banker, from which he receives his interest. The depreciation of the value of the farm is just as great a loss as would be the dwindling away of the bank stock. The depreciation of land destroys the

farmer's credit and the depreciation of produce destroys his income. If a capitalist had $10,000 of stock in bonds and mortgages on which he drew his interest, and found that in some mysterious way that capital was decreasing year by year and his interest growing less and less, it would arouse the suspicion that there was wrong somewhere and fraud, and there would be no rest until the fault was discovered and the perpetrators who were accountable placed behind the bars. This depreciation of capital in realty has been produced by the manipulations of those who profited by it, and though under the cover of law, has the same moral turpitude as if the capital had been taken from the vaults at night.

This depreciation of farm property has been felt first, but must be followed closely by the depreciation of real estate in the cities. There is a depression of rents of dwellings that is irresistible. Business houses can not continue their leases when their incomes have been decreased the half. Mortgaged properties will not rent for enough to keep them in repair, pay all city taxes and insurance, and the interest on the loan, and they must come upon the market. The collapse in the values of city property can not fail to be as complete as that of farms. Manufacturing plants also sink in value. Those which stand nearest the agricultural class feel the depression first, but there is no escape for any property erected to meet the demands of any class at former prices. Money each year buys more property than it did the year before. Property each year sells for less than the year preceding.

The condition is gloomy in the extreme. The depreciation of property has been ten times as much as the national debt at the close of the war in 1865. The debt was then about $2,800,000,000, but by this change of unit our boasted estimated valuation of $70,000,000,000 is reduced in debt-paying power more than $28,000,000,000. The debt-paying power of every holder of property has decreased one-half. The present reduced public debt, on the present gold basis, is harder to meet than the whole debt on the old basis. We were paying off the debt rapidly, but now we are not meeting our current expenses, falling behind the last six months seventy-five millions. We have paid as interest of public debt $2,538,000,000. We paid on the principal $1,700,000,000, and now $1,071,000,000 remains; yet this has been made to so increase its demands upon property that it is more of a burden than the whole debt when incurred.

Table showing the increase in the national debt if paid in farm products.

[Debt in 1866, $2,783,000,000. Debt in 1894, $1,071,979,527.]

Products necessary to pay the debt, as per prices at that time.	Amount, 1866.	Amount, 1894.	Showing actual increase.
Beef ..... barrels..	129,000,000	178,663,254	49,663,254
Pork ..... do.....	87,000,000	107,197,952	20,197,952
Wheat ..... bushels..	1,007,000,000	2,143,959,014	1,136,959,014
Oats ..... do.....	3,282,350,000	4,287,918,028	1,025,568,028
Corn ..... do.....	2,218,000,000	3,970,294,174	1,652,294,174
Cotton (1867) ..... pounds..	7,092,000,000	15,312,993,242	8,221,993,242
Coal ..... tons..	213,307,000	267,994,881	54,687,881
Bar-iron ..... do.....	24,110,000	26,145,842	2,035,842

Though we have paid the enormous amount of $4,238,000,000, interest and principal, yet now it has been so manipulated that it will take more bushels of corn, or pounds of cotton, or barrels of pork, or tons of iron to pay the balance of the public debt, $1,071,000,000, than it would have taken to pay the whole debt in 1866.

This condition of the public debt is only parallel with that of private parties all over the land. There are many who have been paying interest for years promptly, and have also greatly reduced the principal, who now find that they owe more than ever when that debt is measured by any staple product with which they had hoped to pay. The result has been the distress of the most honorable and upright and also the embarrassment of others who only sought to be helpful by lending their credit. No pen can adequately picture nor mind conceive the fearful trials that have been experienced in the financial strain of these years of continued depression.

This change of the unit and the decrease of property and the increase of debts, public and private, has caused more restless nights and the loss of more sleep, it has caused more sorrow and tears, it has caused more alienation among kindred and the separation of friends, more bitterness of feeling and more misery and more woe than the war of the revolution and all the conflicts since, including the four years of bloody strife between 1861 and 1865.

Thousands of the honest and frugal have been stripped of the accumulations of years and ruined, and thousands more are in jeopardy and can not escape if the old unit is not restored. There never was a time before when debtors were so anxious

to pay on the very terms they agreed to pay, and are not permitted, but must face utter ruin because, by arbitrary enactment, their debts have been doubled. It is hinted that there is in the world a den of Shylocks, in this year of grace, who planned and accomplished this, and who now, as they sit among their gold, are grinning at the wretchedness and woe their greed has caused.

ADDENDUM H.

[Senate Mis. Doc. No. 94, Fifty-third Congress, third session.]

LABOR'S DEMAND FOR HONEST MONEY.

"We demand of the present Congress the immediate return to the money of the Constitution as established by our fathers by restoring the free and unlimited coinage of both gold and silver at the present ratio of 16 to 1, the coins of both metals to be equally full legal tender for all debts, public and private, as before the fraudulent demonetization of silver in 1873.

"We also condemn the increase of the national debt in time of peace, and the use of interest-bearing bonds at any time."

This memorial is signed by Marion Butler, president of the National Farmers' Alliance and Industrial Union; J. R. Sovereign, grand master workman Knights of Labor; Samuel Gompers, president American Federation of Labor; John McBride, president United Mine Workers of America; P. M. Arthur, grand chief Brotherhood of Locomotive Engineers; Frank P. Sargent, grand master Brotherhood of Locomotive Firemen; Henry H. Trenor, general president United Brotherhood Carpenters and Joiners of America; C. A. Robinson, president Farmers' Mutual Benefit Association.

These are all the heads of large national organizations, and to which I will add the following action of the National Grange at its session in Springfield, Ohio, November, 1891:

"Whereas the National Grange does not believe that we now have sufficient currency in the nation for the legitimate purposes of trade and to meet necessary obligation: Therefore, be it

"*Resolved*, First. That this National Grange declares and expresses its opinion in favor of free and unlimited coinage of both silver and gold, just as it existed from almost the foundation of the Government up to 1873, when silver was demonetized.

"Second. That we believe that the Government alone should issue money, and that we do demand that a sufficiency of legal-tender notes be issued."

ADDENDUM I.

SPEECH OF HON. J. C. SIBLEY IN THE HOUSE OF REPRESENTATIVES AUGUST 18, 1893

But they cite England, Old England, and Spain and Germany. Yet they dodge the issue. There is just one country on the face of the globe where they do not have panics, and she has got more money than any other civilized nation on the face of the globe, and that country is France. No financial revolutions or panics or disasters there. The Panama Canal scheme may fail, and it does not make a ripple on the financial surface. It causes great waves to heave and swell upon the political tide, but it never touches the financial situation or affects its stability. They have $54 of money to every man, woman, and child in France. They have an abundance to meet the needs of business in that little nation, smaller than some of our States; and yet in this great nation, whose territory stretches 3,000 miles from ocean to ocean, we are asked to do business with less than half as much per capita. If silver makes panics, why is it that Australia, which is on a gold basis, has a panic worse than ours; a panic in which the bank failures in six weeks amount to over $900,000,000? Their panic was only caused, like ours, by Rothschild shearing his sheep.

France has a population of 38,000,000 of people, and has the following sums of money:

Gold (more than)	$850,000,000
Silver (more than)	700,000,000
Paper	690,000,000
Total money, round numbers	2,240,000,000
Population, round numbers	38,000,000
Money, per capita	58.91

The paper in circulation, as given for January 12, 1893, is by Carnot, President, and is found on page 143 of Coinage Laws of United States, and is over $17 per capita of paper alone.

France maintains the parity of all her money, gold, silver, and paper. She has more than eight hundred and fifty millions of gold, more gold than any other nation on the globe, and keeps it by reserving to herself the right to pay in either metal. Whenever the attempt is made to deplete her gold reserve she tenders silver. France also has more silver than any other nation on the globe, some seven hundred millions, all at a parity, carried at the ratio of 15½ to 1. She has more money, gold, silver, and paper, per capita, than any other nation of the earth, and to-day stands alone as the only nation of Europe that is not in the throes of financial convulsion. Her people are prosperous, contented, and happy. Were we to open our mints to free coinage to-morrow, before we could coin the same per capita circulation of silver that France enjoys would require the uninterrupted efforts of our mints for more than thirty years.

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